STATE BUDGET EXTRACTS

2011-12

This document provides a more detailed analysis of the budget through a series of extracts from agency budgets

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STATE BUDGET EXTRACTS 2011 – 12

This document provides an overview of the State Budget on an agency by agency basis and was compiled as a guide for UDIA members. Whilst comprehensive it should not be seen as a replacement for all of the facts in the original budget documentation. It is noteworthy the *Outcomes and Key Efficiency Indicators* used by each agency/Department often did not refer to the approvals system. If you are not measuring it you cannot effectively plan for improvement!

TAXES ON PROPERTY *(page 76 - 79)*

Taxes on property include transfer duty (the State's second largest tax after payroll tax), landholder duty, land tax, the metropolitan region improvement tax (MRIT), the emergency services levy, and loan guarantee fees.

Transfer Duty
Transfer duty has been very weak in 2010-11. This reflects current subdued conditions in the State's established housing market, including a significant decline in the number of dutiable property transactions and a contraction in house prices.

With revenue from large commercial transactions also much lower than in 2009-10, transfer duty is expected to decline by $435 million (or almost 27%) in 2010-11 relative to 2009-10.

The transfer duty projections for 2011-12 and the outyears are based on an assumed recovery in Western Australia's established property market. The projections reflect an assumed modest growth in house prices (averaging 5.0% per annum across the forward estimates period), and an assumed return to the long-run trend level of activity (i.e. volume of transactions) by 2014-15.

After falling by an estimated 2.4% in 2010-11, house prices are forecast to grow by 2.3% in 2011-12, supported by rising incomes, solid (albeit moderating) population growth, and stronger household balance sheets. Rising confidence in the housing market should also underpin a recovery in the number of residential property sales. Combined with an assumed improvement in the non-residential property market, transfer duty is estimated to increase by 15.7% (or $189 million) in 2011-12.

Across the out years, transfer duty is forecast to increase at an average rate of 14.4% per annum. Although this is higher than the long-run average (of around 12% growth per annum), the transfer duty estimate for 2014-15 ($2.1 billion) is still below the peak recorded in 2007-08 (see chart above).

These estimates incorporate the revenue impact of the abolition of duty on non-real business transfers from 1 July 2013 (which reduces revenue by approximately $118 million in 2013-14 and $131 million in 2014-15).

Land Tax
Land tax is forecast to rise by $34 million (or 6.5%) to $548 million in 2011-12. This is based on advice from the Valuer General with respect to unimproved land values as at August 2010.

With 2012-13 land tax assessments reflecting unimproved land values at August 2011, and with expected flat growth in property prices between August 2010 and August 2011, land tax is expected to remain flat in 2012-13. However, growth in land tax is assumed to return to its long-run average of 10% per annum in both 2013-14 and 2014-15.

	2009-10 $m	2010-11 Estimated Actual $m	2011-12 Budget Estimate $m	2012-13 Forward Estimate $m	2013-14 Forward Estimate $m	2014-15 Forward Estimate $m
Land Tax	528	515	548	549	604	663
MRIT	78	77	84	84	92	101
Transfer Duty	1,552	1,167	1,345	1,618	1,782	2,017
Landholder duty	87	38	49	59	65	73
Other	197	227	244	258	276	285
Total	2,443	2,024	2,269	2,568	2,818	3,136
Growth %	*24.8*	*-17.2*	*12.1*	*13.2*	*9.8*	*11.3*

DEPARTMENT OF PLANNING *(pages 553 - 564)*

Overview

National level reforms and initiatives necessitate a continual process of improvement and realignment of the planning framework to address emerging issues such as: housing energy-efficiency standards, affordable housing, taxation changes, planning and development assessment, and environmental legislation.

As a high-growth state, Western Australia has an interest in accurately assessing the future demand and supply of housing and will continue to make representation to the National Housing Supply Council on these issues. Key actions such as housing demand forecasts, identification of infrastructure required to deliver housing targets, guidelines for the preparation of sub-regional structure plans, policy statements on infill and greenfield targets, and a long-term spatial plan for central metropolitan Perth are key issues for the long-term planning of the State. These strategies are intended to guide growth beyond 2031.

The State Planning Strategy is currently the subject of a thorough review and is being restructured and repositioned to address the emerging and key issues facing planning and development in the State. Increasing focus on regional planning to identify regional infrastructure requirements to facilitate economic growth and development in the Kimberley, Pilbara, Mid West, Gascoyne, Wheatbelt and Great Southern regions.

The electronic land development platform (eLDP) has once again been left out of the forward estimates.

Outcomes and Key Effectiveness Indicators

	2009-10 Actual	2010-11 Budget	2010-11 Estimated Actual	2011-12 Budget Target
Outcome: Integration of land systems that facilitates economic development:				
Proportion of zoned land in the metropolitan area that is 400 metres/1 km from major transport systems:				
- Less than R20 : 400 metres	40.82%	41%	41%	41%
- Less than R20 : 1 km	79.30%	79%	79%	79%
- R20 : 400 metres	59.88%	59%	60%	59%
- R20 : 1 km..	95.30%	94%	95%	94%
- Greater than R20 : 400 metres.	61.19%	62%	61%	62%
- Greater than R20 : 1 km	96.0%	97%	96%	97%
Area of commercial and industrial land per capita per corridor:				
- Eastern Sector - Commercial per capita	9.7m2	12.4m2	9.7m2	12.4m2
- Eastern Sector - Industrial per capita.	76.5m2	82.1m2	76.5m2	82.1m2
- Inner Sector - Commercial per capita.	32.4m2	33.1m2	32.4m2	33.1m2
- Inner Sector - Industrial per capita	12.7m2	14.9m2	12.7m2	14.9m2
- Middle Sector - Commercial per capita.	20.6m2	22.1m2	20.6m2	22.1m2
- Middle Sector - Industrial per capita	57.1m2	61.7m2	57.1m2	61.7m2
- North West Sector - Commercial per capita	36.5m2	45.5m2	36.5m2	45.5m2
- North West Sector - Industrial per capita	60.2m2	68.0m2	60.2m2	68.0m2
- Perth Metropolitan Region - Commercial per capita	23.5m2	26.5m2	23.5m2	26.5m2
- Perth Metropolitan Region - Industrial per capita	67.2m2	74.1m2	67.2m2	74.1m2
- South East Sector - Commercial per capita	12.8m2	15.0m2	12.8m2	15.0m2
- South East Sector - Industrial per capita	57.4m2	63.8m2	57.4m2	63.8m2
- South West Sector - Commercial per capita.	22.7m2	25.5m2	22.7m2	25.5m2
- South West Sector - Industrial per capita	164.0m2	185.0m2	164.0m2	185.0m2
People in the Metropolitan Region that live within ten minutes of a major public transport route:				
- within a 10 minute walk to a bus stop	89.2%	91%	89.2%	91%
- within a 10 minute ride to a railway station	36.4%	34%	36.4%	36%
- within a 10 minute car travel to a railway station	80.1%	70%	80.1%	80%
Outcome: Accessibility to serviced land and infrastructure:				
Number of lots given preliminary and final approval:				
- residential.	35,223	47,000	41,684	47,000
- non-residential.	6,852	9,500	6,408	9,500
Median land price as a percentage of median residential property sales price	55%	56%	58%	56%
Relative affordability of property and land prices	Third highest quintile	Third highest quintile	Fourth quintile	Third highest quintile
Average lot size in the Perth Metropolitan Region	454m2	500m2	443m2	500m2
Avoided land consumption costs	$92 million	$110 million	$105 million	$110 million
Determination appeals that are unsuccessful	99.6%	99%	99%	100%

DEPARTMENT OF PLANNING *(cont)*

1: Integrated Land and Infrastructure Policy Development

By shaping the pattern of development and influencing the location, scale, density, design and mix of land uses, integrated land use systems contribute to the Government's goal, 'Results-Based Service Delivery', by:

- ensuring flexibility to meet the demands of a changing economy and market environments; and
- maximising the use of existing infrastructure rather than incurring the costs of green fields infrastructure with its resulting impact on home affordability.

	2009-10 Actual	2010-11Budget	2010-11 Estimated Actual	2011-12 Budget Target
Employees (FTE)	232	230	171	183
Efficiency Indicators				
Average Cost per Policy Hour for Integrated Land Policy Development.	$78.64	$81.85	$83.17	$84.04

2: Land Accessibility Planning and Policy Development

This service contributes to the Government's goal 'Results-Based Service Delivery' through:

- ensuring that sufficient land is available for purchase for both residential and commercial, industrial/employment purposes;
- controlling lot sizes and therefore the costs of infrastructure required to service each lot;
- minimising land supply delays and the attendant costs by making accurate, timely decisions on redevelopment and subdivision proposals; and
- providing resources to the Western Australian Planning Commission to enable:
  - the acquisition and management of properties reserved under Perth's Metropolitan Region Scheme for important urban roads, controlled access highways, parks and recreational reserves, special uses and major land redevelopment projects; and
  - other special planning projects undertaken within the Perth metropolitan area.

Outcomes and Key Efficiency Indicators

	2009-10 Actual	2010-11 Budget	2010-11 Estimated Actual	2011-12 Budget Target
Employees (Full Time Equivalents)	270	335	394	385
Efficiency Indicators				
Cost Per Subdivision and Development Application Processed.	$4,623	$3,637	$5,572	$4,922
Average Cost per Policy and Planning Hour.	$84.23	$74.86	$75.47	$82.07
Statutory Planning Applications Processed within Statutory Timeframes .	67%	80%	79%	80%
Town Planning Scheme Amendments (for Final Approval) Processed within Non-Statutory Timeframes	52%	80%	50%	55%
Deposited and Strata Plans Endorsed Within Non-Statutory Timeframes.	99%	90%	99%	100%

WATER CORPORATION *(pages 876 - 877)*

The Corporation will spend more than $3.6 billion in 2011-12 and over the forward estimates period on essential projects across the State recognising the ongoing need for major water and wastewater infrastructure developments. These projects are necessary to support Western Australia's growth and in many cases there is the added imperative of meeting the challenges of a changing climate.

In 2011-12 approximately $860.7 million has been committed to projects that ensure an ongoing supply of drinking water and the development of adequate facilities to remove and treat the community's wastewater. This includes spending a further:

- $113.0 million to complete the Southern Seawater Desalination Plant, which will be commissioned ahead of schedule in the latter half of 2011.
- $102.4 million to progress the Mundaring Water Treatment Plant which is being developed as a Public Private Partnership.
- A further $6.8 million will be spent to continue the Groundwater Replenishment Trial.

During 2011-12 and 2012-13, $140.6 million will be spent to support the development of water and wastewater distribution infrastructure across the metropolitan area to facilitate Perth's rapidly growing land development requirements.

Under the Pilbara Cities initiative, $42.0 million will be spent relocating the Port Hedland Wastewater Treatment Plant.

A total of $302m for the East Rockingham Wastewater Scheme across the forward estimates.

Extract from the Ministerial Statement: The State has also amended procedures to ensure that funds which developers contribute to new water services infrastructure are available to fund distribution assets, reflecting the purpose behind these charges.

DEPARTMENT OF WATER *(pages 863 - 875)*

The major challenge facing the Department is managing increasing demand for water in a drying climate. The 2010 winter was one of the driest on record and this has necessitated increased involvement by the Department in responding to water shortages. It has also highlighted the need for a more flexible and adaptable approach to water allocation and management. The Department has reviewed its strategic priorities to better address the needs of the State into the future.

•Despite scheme water conservation efforts including the winter sprinkler ban, a significant reduction in flows to dams and rivers, coupled with lack of groundwater recharge, has left available scheme and non-scheme water resources in the South West of the State under stress, with impacts felt by industry, agriculture and other businesses. In addition, increasing demand for both potable and non-potable water in high growth areas such as the Pilbara and the Mid West have put additional demand on the Department in terms of allocation planning and licensing.

As water systems have become close to or fully allocated, and with less water available, competition for water has become a significant management issue. New policies and procedures are being developed to allow a more market driven approach to resource allocation and existing legislation is being reviewed to assist in this process. The Department is taking a lead agency role in water supply planning and development and will strengthen its economic policy capacity in coming months to ensure efficient outcomes are realised. In addition, the Department is actively encouraging recycling and reuse approaches.

While the South West of the State has been suffering from a shortage of rainfall, the north of the State has faced the opposite. As such, more effort is being put into floodplain management and flood mitigation in particular regions.

Outcomes and Key Efficiency Indicators

Average Cost per Drainage and Water Management Plan and Assessment $8,345 (estimated 2010-11)

WESTERN POWER *(pages 618 - 619)*

The $13.5 million for customer driven transmission works includes connecting generators, supply to new bulk loads, system upgrades and augmentations. Partial funding of these works is provided by customer capital contributions. A key project is the connection of the 198MW high efficiency gas turbine upgrade to Kwinana Power Station.

As part of the State Government's commitment to cater for increasing demand by new and existing customers, $230.3 million in customer driven works (distribution works) will be undertaken. This will support growth in demand for customer connections including single dwelling through to subdivisions for residential, commercial and industrial customers and additional street lighting.

$68.0 million will be spent on capacity expansion activities in 2011-12, including the rebuilding, upgrading and installation of new feeder lines, distribution works associated with transmission substation expenditure, installation of voltage regulators to improve constraints on long rural feeders with increasing load growth, and proactively replacing overloaded distribution transformers.

The range of works includes the upgrade to the distribution network in Rivervale, Victoria Park and Welshpool allowing for increased capacity in these high growth areas. In addition, the program allows for installation of increased capacity by both transmission and distribution in the Balcatta, Henley Brook, Waikiki and Southern River areas and increased capacity to cater for new rural demand in areas such as Busselton, Bunbury and Kondinin.

A number of initiatives under the Smart Grid Program will also be implemented, including smart meter infrastructure, energy conservation trials, and the second year of the Perth Solar City Program. The total budget allocation is $30.0 million.

DEPARTMENT OF ENVIRONMENT *(pages 817 - 830)*

Industrial and land development activity is expected to continue to increase with economic growth. Increased demands on the Department for regulation and development approvals are expected and a tight labour market presents a challenge in retaining a skilled workforce to respond to these demands. The Department is implementing regulatory reforms and improved processes to manage these trends.

There is a community focus on ambient air quality monitoring and management in the Perth metropolitan area and industrialised regional centres.

The development of national and international responses to climate change continues. The Department is developing a Climate Change Adaptation and Mitigation Strategy for Western Australia.

The amount of waste deposited in landfill is expected to reduce as a result of the significant increase in the landfill levy that occurred from 1 January 2010. However, this is likely to be offset to some extent by an increase in waste due to economic growth.

On a state-wide basis, this Budget provides additional funding of $1 million over four years for programs to boost threatened native species conservation.

Outcomes and Key Efficiency Indicators

- Percentage of waste in metropolitan area diverted from land fill through recycling to rise from 34% in 2009-10 to 45% by 2011-12.
- Average cost per contaminated site assessment in 2009-10 was $6,011
- *NB: It is noteworthy that environmental approvals timelines and efficiency are not measured within the budget papers.*

PUBLIC TRANSPORT

Removal of the $10M for the Ellenbrook Public Transport Master Planning

A draft 20 Year Public Transport Master Plan is currently being considered by Government. It is anticipated that the plan will be released for public consultation in 2011. The plan will set a blueprint of potential public transport solutions to meet the challenge of projected growth in the demand for public transport as Perth's population increases.

The Government will increase annual bus service kilometres by 3.3 million kilometres in 2011-12 incrementally increasing to 15.2 million kilometres per annum from 2015-16 onwards. This will involve the procurement of an additional 158 buses until 2017-18 funded from the redirection of $92.6 million in savings from the current bus replacement program due to the move from gas fuelled to Euro5 diesel fuelled buses.

Purchase of Additional Railcars: an additional 15 three-car train sets to address the capacity issues being experienced during peak commuting periods will be ordered in 2011-12 (*NB: available 2013/14*). This will ensure the four new three-car train sets recently put into service are replaced ready for the opening of the extension to Butler. To enable this, the budget provides $164.0 million.

Extension of the Northern Suburbs Railway to Butler: construction of the 7.5 kilometre extension of the Northern Suburbs (Joondalup line) Railway from Clarkson to Butler commenced in 2010-11 and is on track for completion in 2014-15 at an estimated cost of $240.7 million

Parking Facilities Program: work will continue on fulfilling the Government's election commitment to provide an extra 3,000 parking bays at train stations along the northern and southern rail lines at a total cost of $50.0 million. In 2011-12, 1,700 car bays are planned to be delivered at Stirling, Rockingham (Stage 2), Currambine and Cockburn (Stage 2) stations. The program will be completed in 2012-13.

Outcomes and Key Effectiveness Indicators

	2009-10 Actual	2010-11 Budget	2010-11 Estimated Actual	2011-12 Budget Target
Outcome: Accessible, reliable and safe public transport system:				
Use of public transport - passengers per service kilometre:				
Metropolitan Bus Services	1.43	1.43	1.43	1.38
Metropolitan Train Services	4.15	3.85	4.08	4.09
Metropolitan Ferry Services	13.43	14.16	13.65	13.88
Regional Bus Services	1.002	0.872	0.863	0.852
Country Passenger Rail Services	0.24	0.23	0.23	0.23
Country Passenger Road Coach Services	0.07	0.07	0.07	0.07
Accessible Public Transport:				
The proportion of street addresses within the Perth Public Transport Area which are within 500 metres of a Transperth stop providing an acceptable level of service	82.89%	81%	83%	83.5%
Average Cost per Passenger Kilometre:				
- Transperth Bus Operations	$0.76	$0.81	$0.83	$0.88
- Transperth Train Operations	$0.41	$0.43	$0.41	$0.43
- Transperth Ferry Operations	$1.22	$1.15	$1.19	$1.11
Average Cost per 1,000 Place Kilometres:				
- Regional Bus Services	$80.09	$78.33	$79.40	$79.23