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BUDGET SPEECH

BUDGET PAPER 2

Presented by the Honourable Kevin Foley MP
Deputy Premier and Treasurer of South Australia
on the Occasion of the Budget for 2007–08



Government
of South Australia

BUDGET SPEECH 2007-08

DELIVERED ON 7 JUNE 2007, ON THE SECOND READING OF THE APPROPRIATION BILL 2007, BY THE HONOURABLE KEVIN FOLEY MP, TREASURER OF SOUTH AUSTRALIA

Mr Speaker, the 2007-08 Budget sets a framework that will deliver a strong future for South Australians.

The Rann Labor Government has a proud record in delivering sound, financially responsible budgets.

Six budgets under Labor.

Six budgets in surplus.

Prudent and responsible financial management has provided us with the capacity to further strengthen the economy and deliver on our commitments and promises.

And today Mr Speaker we are taking this a step further and will be remembered for delivering even more for the people of South Australia.

The Rann Labor Government will be remembered for:

- its bold decision-making;
- repairing the State's ageing infrastructure;
- the single biggest health reform in the State's history;
- investing in the work to develop a secure future for the State's water supplies; and
- delivering the largest payroll tax cut in the State's history.

Today Mr Speaker, included in these achievements is the biggest commitment of all to South Australians — a new \$1.7 billion hospital.

Mr Speaker, this magnificent, state of the art facility will be named the Marjorie Jackson-Nelson Hospital in honour of one of South Australia's favourite Governors.

The Budget also outlines a \$483 million investment to upgrade the State's rail and road infrastructure over the next four years.

These improvements will further enhance transport safety and improve travel efficiencies for passengers.

Mr Speaker, again, we are delivering a Budget that is in surplus.

We have prudently managed the State's finances over the previous year and have maintained a Triple-A credit rating.

The Budget will deliver net operating surpluses of:

- \$30 million in 2007-08;
- \$205 million in 2008-09;
- \$336 million in 2009-10; and
- \$278 million in 2010-11.

These surpluses will assist in funding major increases in infrastructure investment over the next four years.

Despite these sizable budgeted operating surpluses, net debt will increase modestly over the forward estimates period to fund a significant increase in capital expenditure.

For the third consecutive year, the Government will deliver more than \$1 billion in total capital expenditure.

Mr Speaker, planned total capital spending in 2007-08 totals \$1.48 billion. This is double the amount spent when the Liberal Party was last in Government.

Notwithstanding the major capital expenditure initiatives announced in this Budget, the ratio of net financial liabilities to revenue will rise only slightly over the forward estimates period.

The Government also remains committed to over \$600 million of Public Private Partnership projects in the areas of education and correctional services.

Mr Speaker, the Rann Government is about providing for the future needs of South Australians and good economic management.

The Budget provides for significant investment in the Health, Transport, Energy and Infrastructure, Justice and the Families and Communities portfolios.

Over the next four years the Budget provides:

- \$542 million for transport and infrastructure initiatives, including revitalisation of the rail network and significant new road infrastructure and road safety initiatives;
- \$523 million for new hospital infrastructure, for progress on mental health reform and to support the delivery of current health services;
- \$163 million for Families and Communities for the delivery of disability services and for the care of children in need; and
- \$114 million of new commitments for law and order and for community safety.

Mr Speaker, the State Economy continues to grow and diversify.

Business investment has increased by 73 per cent over the last five years and employment is expected to grow by a further 1.5 per cent during 2006-07.

The Government is working to broaden and modernise the State's economic base by encouraging and strengthening industries such as mining, defence and electronics.

Spending on mineral exploration in our State almost doubled in 2006 to \$191 million.

Canada's Fraser Institute now ranks South Australia 4th of 65 jurisdictions in mineral potential.

Over the next few years we can look forward to significant economic stimulus from a range of defence and mining projects.

The Prominent Hill mine is already under way and the Air Warfare Destroyer contract and the proposed BHP Billiton Olympic Dam mine expansion are projects of national importance.

Mr Speaker, today's Budget also includes the biggest reduction in payroll tax in South Australian history.

Payroll tax cuts worth \$309 million will be rolled out over the next four years.

From 1 July 2007, the rate of payroll tax will reduce from 5.5 to 5.25 per cent.

A further reduction, that will come into effect from 1 July 2008, will see the rate drop to 5.0 per cent.

From 1 July 2008, South Australia will have a payroll tax rate equal to that of Victoria and equal second lowest in the nation.

More than 6500 businesses employing more than 370 000 South Australians will benefit from these tax cuts.

Mr Speaker, tax cuts announced today will take the total amount of tax relief committed by the Rann Labor Government in this and the last three Budgets to nearly \$2 billion by 2010-11.

Also being phased in, from 1 July 2007, will be more than \$200 million in cuts to rental and mortgage duty announced in the 2005-06 Budget.

And nearly \$28 million in payroll tax harmonisation will be delivered over three years with reforms commencing in 2008-09.

This harmonisation will provide consistency for businesses working across State and Territory jurisdictions and cut red tape.

Mr Speaker, the tax cuts announced today will make South Australian businesses more competitive on the national stage.

Local businesses are already taking advantage of excellent local economic conditions.

Put simply, there is no better time to do business in South Australia.

Mr Speaker, today's Budget defines a program of major reform of public health care in South Australia.

At the very heart of this is a new 800 bed central hospital — the Marjorie Jackson-Nelson Hospital — at a cost of \$1.7 billion.

This hospital will take advantage of the very latest technology and offer a service to South Australians that is the very best in health care.

The hospital will also be a major teaching and research facility for the training of health care professionals.

And, Mr Speaker, it will be designed to the latest standards in water and energy efficiency and is expected to achieve the highest environmental performance for such a facility.

New investment in health infrastructure of \$308 million will occur over the next four years — with \$212.8 million over the next four years to commence construction of the new hospital.

The total cost of the new health infrastructure initiatives announced in this Budget will be in excess of \$2 billion.

Mr Speaker, I am advised that if the Royal Adelaide Hospital is not replaced, at least \$1.4 billion will be required over the next 15 years to continue upgrading the hospital to meet current building standards and to provide facilities that are appropriate for modern health care.

Mr Speaker, most of the Royal Adelaide Hospital is over 50 years old and requires significant levels of ongoing maintenance.

Clearly, the additional investment to deliver a new world-class hospital with better services for the community is the right choice.

Mr Speaker, there are significant challenges facing our Health System, including:

- increasing demand for hospital services, which places significant pressure on emergency departments and hospital inpatient facilities; and
- an ageing health workforce, where it is expected that 40 per cent of South Australia's health workers will retire in the next 15 years.

Mr Speaker, this Budget responds to these challenges.

We have provided additional funding of \$250 million over four years to maintain current services and to address the growing demand for these services, while Health Reform initiatives are being progressed.

The Budget provides significant additional funding to the other components of our health system, including:

- \$106 million over four years for the construction of Stage C of the Lyell McEwin Hospital;
- \$34.7 million over four years for the redevelopment of the Ceduna Health Service;
- \$8.7 million over three years for additional beds at Flinders Medical Centre;
- \$2.2 million for the Port Pirie GP Plus Centre; and
- \$1.5 million to upgrade infrastructure at the Naracoorte Health Service.

The Women's and Children's Hospital will continue to be the tertiary hospital for the delivery of complex maternal and children's care.

The Queen Elizabeth, Modbury and Noarlunga Hospitals will focus on the needs of their local communities.

Our country hospitals at Mount Gambier, Port Lincoln, the Riverland and the Spencer Gulf, will have an expanded clinical profile to provide a number of services that are currently only available in Adelaide.

Prior to the Budget the Government has provided \$26.7 million over five years to support additional medical research.

These measures will position South Australia for the provision of comprehensive population based health care services of the highest standard.

Mr Speaker, the Budget expands on the Government's commitment to mental health.

Funding has been provided for a range of community focussed mental health initiatives, including:

- \$36.8 million over four years for non-clinical community-based support, such as care packages and day programs;
- \$12.1 million over three years from 2008-09 for the development of six new Community Mental Health Centres; and
- \$1.6 million over four years for the support of young people who experience their first episode of a mental illness.

Prior to the Budget the Government has provided substantial funding to mental health, including:

- \$38.1 million over four years for the construction of intermediate care facilities and for 24 hour supported accommodation;
- \$3.3 million over four years to further support the mental health reform during the transition process; and
- \$1.6 million over three years from 2008-09 to employ mental health nurse practitioners in country-based health services to support local GPs and mental health professionals.

Mr Speaker, the Budget provides resources to expand the level of opportunity for persons with a disability and for children in forms of assisted care.

An amount of \$94.3 million has been provided over four years for children in care.

The Budget provides \$45.8 million over four years for the provision of disability services including the provision of accommodation support, respite services, therapy and the purchase of special equipment.

In addition, the Budget provides:

- \$11.3 million over four years to the Families and Communities portfolio to assist non-government organisations in the community services sector; and
- \$21.1 million over four years in additional support for the Home and Community Care Program.

Mr Speaker, the Government is well advanced in tackling the challenge of securing and improving the quality of South Australia's water supplies.

An extensive range of initiatives is being funded and investigated.

A desalination working group, chaired by Mr Ian Kowalick, is reviewing the longer-term viability of establishing a desalination plant to secure Adelaide's water supply.

This group will report its findings to Cabinet for consideration in October 2007.

SA Water has committed up to \$3 million for environmental studies to determine the feasibility of a desalination plant for Adelaide.

Separately, the State Government and BHP Billiton are investigating the feasibility of a desalination plant as a preferred option for the proposed expansion of Olympic Dam.

This plant may also have the potential to supply water to the Eyre Peninsula and Upper Spencer Gulf communities thereby reducing the draw on the River Murray.

Mr Speaker, the State Government is investigating all options including the expansion of existing storage facilities.

Work is already underway to determine the feasibility of expanding the Mount Bold Reservoir to potentially double the total storage capacity in the Mount Lofty Ranges.

Additional storage at this site could provide an increase in water security in extreme drought years equivalent to about twice the annual capacity of the recently completed desalination plant in Perth.

Significant investment in our water infrastructure is also underway and includes:

- \$151 million for the upgrade of the Christies Beach Wastewater Plant;
- \$54 million for a program to deliver nine new water filtration plants across fifteen communities along the River Murray;
- \$15 million to upgrade the Myponga Water Treatment plant to improve water quality to customers on the Fleurieu Peninsula;
- more than \$5 million for the modification of major pumping station inlets below Lock 1 on the River Murray, enabling ongoing access to water at lower levels for Adelaide and country areas; and
- \$5 million for the Clayton pipeline to provide Clayton with a secure water supply.

In addition Mr Speaker, nine strategies of the Water Proofing Adelaide program have been completed.

Many other strategies are nearing completion or will remain as ongoing activities.

The Government has also committed to developing a Water Proofing strategy for regional South Australia.

Mr Speaker, this Government understands the critical role of public transport in reducing congestion on our roads and in shaping ongoing urban development.

Our public transport system also serves as a major means of reducing greenhouse gas emissions through reductions in private motor vehicle use.

In this Budget I am pleased to announce major new initiatives to improve our public transport system, including:

- \$157 million over four years for the relocation of the Adelaide rail yards and for new signal facilities to modernise the rail network and to prepare the site for the new central hospital; and
- \$115 million over four years for a major revitalisation of the metropolitan rail network, including concrete resleepering and track upgrades on the Belair and Noarlunga rail lines.

Prior to the Budget the Government has provided \$29.7 million for the purchase of new public transport buses in 2010-11.

These initiatives will improve the standard and safety of public transport services for South Australian commuters.

Mr Speaker, these initiatives demonstrate yet again that the Rann Government has made a commitment in this Budget to rebuild the State's infrastructure.

In addition, the Budget provides funding to commence development of the next generation of public transport ticketing system to be based on advanced technology.

The new ticketing system will make passenger boarding easier, will reduce operating costs and will provide for improved passenger travel data.

Mr Speaker, today's Budget provides significant additional funding for improvements in road infrastructure and for road safety measures, including:

- \$50 million over two years from 2009-10 for the Northern Expressway;
- \$28 million over two years for the construction of a new tram bridge to further improve the flow of traffic on South Road aimed at maximizing the potential benefits of the new underpasses;
- \$29.5 million over two years for repairs to flood damaged outback roads under the control of the State;
- \$14.1 million over four years for road maintenance;
- \$10.7 million over four years for road-side rest areas on arterial roads;
- \$7.2 million in 2007-08 for road shoulder sealing;
- \$6.1 million over four years for new measures to combat heavy vehicle driver fatigue;
- \$5.7 million over four years for rural road safety infrastructure;
- \$5 million in 2007-08 from the Local Government Disaster Fund to assist councils to rebuild flood damaged roads;

- \$5 million in 2007-08 to upgrade rural freight networks; and
- \$4 million in 2007-08 for new overtaking lanes.

Mr Speaker, this Government is working to ensure that all young South Australians are either in school, undertaking training or in the workforce.

In the 2006-07 Budget the Government announced the ambitious *Education Works* Strategy that supported investment in school infrastructure of \$134 million in partnership with the private sector.

The Strategy also provided for \$82 million of new public sector investment in existing school infrastructure.

The launch of *Education Works* has been successful and remains a key strategy for improving education outcomes and providing more opportunities for children.

Seventeen schools and preschools were invited to be part of six new schools to be built via a Public Private Partnership arrangement.

All seventeen, plus an additional school, have now voted to become part of this new initiative.

In May of this year we announced three high-tech trade schools, delivering high-end, practical trade skills in the Eyre and Upper Spencer Gulf, Northern Adelaide and Western Adelaide regions.

These will be the first of a planned 10 new Trade Schools, connecting students to TAFE and industry to expand educational opportunities.

The Budget provides \$4.7 million of additional resources to enhance the *Trade Schools for the Future* initiative.

The *Trade Schools for the Future* initiative facilitates the establishment of brokerage capabilities and the transition from school training to formal training, ultimately placing students in the workforce.

The Budget also provides for 14 new education projects across metropolitan and regional areas.

Additional education and training resources provided for in this Budget include:

- \$5.2 million over four years for the further development of Adelaide as a University City, including alliances with Carnegie Mellon and Cranfield Universities; and
- \$1 million over four years to support Education Adelaide in expanding its marketing efforts in emerging markets.

Carnegie Mellon, Cranfield and other leading overseas universities will bring expertise in teaching and research to South Australia, attracting fee paying overseas students and linking in with local industry, including the expanding defence sector.

Prior to the Budget the Government has provided \$2.9 million over four years to support the Council of Australian Governments' training reforms.

The Budget also provides additional support for science and technology initiatives, in the form of:

- \$6.3 million over four years to extend support for the Australian Centre for Plant Functional Genomics at the Waite Agricultural Research Precinct;
- \$4 million over four years for the Premier's Science and Research Fund bringing total support for the Fund up to \$4 million per annum;
- \$2.4 million over four years to establish a Co-operative Research Centre for Seafood in South Australia and for the research activities of four other CRCs; and
- \$750 000 in 2007-08 for Constellation SA to coordinate and promote innovation in the science and technology sector.

Mr Speaker, the State continues to reap the benefits of successfully securing the contract for the construction of the next generation of Air Warfare Destroyers for the Royal Australian Navy.

The Government established the Port Adelaide Maritime Corporation with a charter to facilitate the Air Warfare Destroyer Program and to significantly expand opportunities for the maritime and defence industries in this State.

Today I am announcing additional significant investment in the South Australian defence industry in the form of:

- \$31.4 million over two years for the construction of a high technology Systems Centre for the Air Warfare Destroyer Program;
- \$1.9 million in 2007-08 for the installation of fibre optic cabling between key defence centres; and
- \$3.7 million over three years for additional infrastructure associated with the new Techport Australia Suppliers' Precinct.

Prior to the Budget the Government also provided an additional \$3.9 million for site preparation works for the Suppliers' Precinct.

Mr Speaker, the commitments in today's Budget bring total government support for projects being coordinated by the Port Adelaide Maritime Corporation to \$374 million.

In addition, the Budget provides significant additional funding over four years for economic development initiatives, including:

- \$8.4 million to expand the PACE program in mining exploration;
- \$2.7 million to support the State's skilled migration program;
- \$2.5 million in additional support for the Industry Capability Network SA; and
- \$3.8 million to develop the film industry within South Australia.

The Budget also provides \$6.2 million over four years to the South Australian Tourism Commission for international and domestic marketing campaigns.

Mr Speaker, the Rann Government is committed to keeping our communities safe.

That's why we put an extra 200 police officers on the beat during our first term in office and have committed to provide an additional 400 over our second term.

This will bring our police force numbers to a record level of over 4400 by 2010.

This Budget also provides \$12.4 million over four years for the upgrade of the Roxby Downs police station.

A further \$2.9 million has been provided over two years from 2009-10 to commence the replacement of the Murray Bridge police station. The total cost of the Murray Bridge police station will be \$9.5 million.

The effectiveness of police operations will also be improved with funding of:

- \$5.6 million over four years for the replacement of radio handsets; and
- \$2 million for the replacement of a police vessel, which will improve the capacity of our police to respond to marine emergencies and for search and rescue operations at sea.

This Budget also provides \$11.1 million over four years for an expansion of the drug driver testing program that will enable an additional 38 850 tests to be conducted each year.

The Budget provides significant additional resources for the administration of justice, including:

- \$2 million over four years to improve the information available for assessing applications for bail across the Criminal Justice System;
- \$3.6 million over four years for the provision of video-conferencing facilities;
- \$1.4 million over four years to expand DNA testing services;
- \$2.4 million over four years to enable additional prosecutors to be employed to focus on compliance with workplace safety legislation; and
- \$2.7 million over four years to increase payments to jurors for loss of income and travel requirements.

Mr Speaker, the Government has previously committed to the largest-ever expansion and reform of the State's correctional facilities, at an estimated cost of over \$500 million.

This Budget provides significant additional resources for the State's correctional system over the next four years, including:

- \$24.4 million for prison accommodation and staffing requirements;
- \$3.8 million for ongoing security upgrades for prisons; and
- \$3 million for accommodation upgrades to the Community Corrections Centres at Port Pirie and Noarlunga.

The Government will also invest \$5 million in 2007-08 for the purchase and development of a new site for the safe storage and destruction of explosives seized by police.

Mr Speaker, the Budget also provides additional support for our other important emergency services over the next four years, including:

- \$9.6 million for the establishment and staffing of a new fire station in the southern suburbs;
- \$4 million to enable increased capacity for aerial fire fighting;
- \$2.5 million for firefighter training for the Country Fire Service;
- \$2.1 million to continue the enhanced bushfire community awareness campaign; and
- \$7.9 million for the replacement of radio communication handsets.

Mr Speaker, this Budget provides further significant resources for the development of the arts and for the support of our arts infrastructure.

An amount of \$9.3 million has been allocated to the Adelaide Festival Centre Trust over four years for a major expansion of arts programming as part of the Trust's *New Directions* strategy.

This funding will enable the Trust to reposition the Festival Centre as the State's premier arts venue for live performances.

In addition, the Budget provides:

- \$7.1 million over four years for building upgrades to the State's most important cultural institutions and for the preservation of our heritage collections;
- \$2.4 million over four years for an initiative designed to promote the development of indigenous arts in South Australia; and
- \$415 000 over four years to secure WOMADelaide as an ongoing major cultural event for South Australia.

Mr Speaker, during 2006-07 the Government announced that it would source 20 per cent of the electricity requirements of government agencies from Green Power by 1 January 2008.

Today's Budget provides additional resources for environmental and climate change initiatives, including:

- \$4.2 million over four years for the planning and creation of marine parks;
- \$675 000 in 2007-08 for a public awareness campaign on the implications of climate change and how our community can best respond to this issue;
- \$331 000 in 2007-08 for the purchase of 20 additional mini wind turbines for use on government buildings to demonstrate the potential of this technology;
- \$200 000 in 2007-08 to match community sponsorship for the purchase of solar panels at the Adelaide Zoo; and
- \$185 000 in 2007-08 to improve water efficiency at Government House.

Mr Speaker, today I present a Budget that lays important foundations for the future health and prosperity of our State.

It is a Budget that demonstrates six years of strong financial management.

It is a Budget delivered by a Government that has provided the capacity to rebuild the State.

We are building a new \$1.7 billion central hospital.

And we are delivering unprecedented tax relief for businesses.

And Mr Speaker we are getting on with the job of securing Adelaide's water supply.

I would like to thank the outstanding work of my Ministerial colleagues, their Chief Executives and their staff in assisting with the development of this Budget.

I would also like to thank the Under Treasurer, the Department of Treasury and Finance, and my personal staff for their efforts.

I commend this Budget to the House.

APPROPRIATION BILL 2007

Explanation of Clauses

Clause 1: Short title

This clause is formal.

Clause 2: Commencement

This clause provides for the Bill to operate retrospectively to 1 July 2007. Until the Bill is passed, expenditure is financed from appropriation authority provided by the Supply Act.

Clause 3: Interpretation

This clause provides relevant definitions.

Clause 4: Issue and application of money

This clause provides for the issue and application of the sums shown in the schedule to the Bill. Subsection (2) makes it clear that the appropriation authority provided by the Supply Act is superseded by this Bill.

Clause 5: Application of money if functions or duties of agency are transferred

This clause is designed to ensure that where Parliament has appropriated funds to an agency to enable it to carry out particular functions or duties and those functions or duties become the responsibility of another agency, the funds may be used by the responsible agency in accordance with Parliament's original intentions without further appropriation.

Clause 6: Expenditure from Hospitals Fund

This clause provides authority for the Treasurer to issue and apply money from the Hospitals Fund for the provision of facilities in public hospitals.

Clause 7: Additional appropriation under other Acts

This clause makes it clear that appropriation authority provided by this Bill is additional to authority provided in other Acts of Parliament, except, of course, in the Supply Act.

Clause 8: Overdraft limit

This sets a limit of \$50 million on the amount which the Government may borrow by way of overdraft.



**Government
of South Australia**