

# News Release



**Hon Jack Snelling**

Treasurer  
Minister for Workers Rehabilitation  
Minister for Defence Industries  
Minister for Veterans' Affairs

Friday, 16 December 2011

## 2011-12 MID-YEAR BUDGET REVIEW

The Government's record spending on infrastructure and investment in South Australian jobs will continue despite a drop in forecast taxation and GST revenue of more than **\$1 billion** over the forward estimates.

Handing down the 2011-12 Mid-Year Budget Review, Treasurer Jack Snelling said the drop in revenue would mean a return to surplus would be pushed back until 2014-15 but the Government was committed to keep investing in projects that would deliver South Australian jobs now and into the future.

"Against the backdrop of a deteriorating world economy and the European debt crisis, the South Australian economy has not been immune to cautious consumer spending," Mr Snelling said.

"The 2011-12 State Budget had the lowest net spending on new initiatives in nearly a decade while all policy decisions made since have been more than offset by new savings and revenue measures.

"So while our spending is restrained, what is harder to control is revenue and we have seen forecast GST revenue fall by **\$259 million** and reduced conveyancing duty of **\$679 million** over the forward estimates which has forced the Government to make a choice.

"That choice could have been to cancel or defer major projects and return the Budget to surplus sooner.

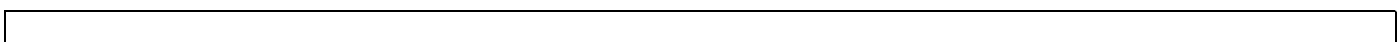
"We are however committed to those projects and the jobs and investment they are delivering and will continue to deliver for South Australia."

Mr Snelling said the Government was also committed to making sure average South Australians were not carrying the burden of reduced revenue.

"South Australian families are dealing with cost-of-living pressures and it is with that in mind that the 2011-12 Mid-Year Budget Review involves no new taxes," he said.

"Introducing new taxes or cutting job-creating projects could have guaranteed South Australia's AAA Credit Rating but in uncertain global economic times the Government needs to do what it can to support South Australian families and secure jobs.

"Instead of making significant service cuts and increasing the cost of living pressures by raising taxes, we are making the choice to protect jobs now and for future generations of South Australians."



“This means the return to surplus will be delayed but we need to be strong and promote economic activity in times of uncertainty.”

Mr Snelling said net debt was projected to reach **\$7.74 billion** in 2015-16 when the New Royal Adelaide Hospital comes onto the state’s balance sheet.

“General government net debt still remains however well below 50 per cent of overall revenue,” he said.

Key fiscal indicators for the 2011-12 Mid-Year Budget Review include:

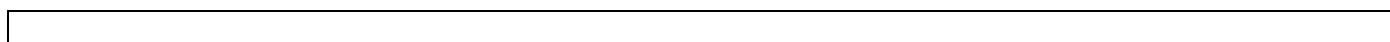
<b>Net operating balance (\$ million)</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
Forecast at State Budget	- \$263	\$114	\$80	\$655	n/a
<b>Forecast at Mid-Year Budget Review</b>	<b>- \$367</b>	<b>- \$453</b>	<b>- \$348</b>	<b>\$334</b>	<b>\$591</b>
<b>General Government net debt (\$ million)</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
Forecast at State Budget	\$3 825	\$4 098	\$4 213	\$3 615	n/a
<b>Forecast at Mid-Year Budget Review</b>	<b>\$4 445</b>	<b>\$4 751</b>	<b>\$5 294</b>	<b>\$5 084</b>	<b>\$7 744</b>

Mr Snelling said the 2011-12 Mid-Year Budget Review included new savings and revenue measures totalling **\$141.1 million** over four years which more than offsets new policy decisions totalling **\$130.2 million** over the same period.

“Importantly the savings measures have been designed to have minimal impact on the South Australian public as well as jobs,” he said.

Key policy decisions made by the State Government since the 2011-12 State Budget have included:

- To lessen the burden on South Australians visiting suburban hospitals, the Government announced a change to a 2010-11 Budget measure introducing car parking fees by providing two hours of free parking at all “open air” car parks at a cost of **\$4.2 million** per year;
- To reinvigorate the city while also supporting retail workers, the Government relaxed shop trading hours in the city while also proposing to create part public holidays after 5pm on Christmas Eve and New Year’s Eve at a cost of more than **\$5 million** per year from 2012-13;
- To boost the capabilities of a new fully independent anti corruption body, the Government has more than doubled the operating funding to set up and run the Independent Commission Against Corruption to **\$32 million** over five years;
- To continue to protect South Australians in times of emergency, resources of **\$4 million** over four years were allocated to increase the number of operators in the State Fire and Emergency Communications Centre;
- To involve the Port Adelaide community in fresh plans to reinvigorate Port Adelaide the Government terminated an existing development agreement with the Newport Quays Consortium. This required the Government to pay the Newport Quays Consortium an estimated **\$5.9 million**;
- To improve controls over the growth in health expenditure the Government announced a new Health Resources Unit to focus on health spending at a cost of **\$2.5 million** per year; and
- To secure the long-term future of the Adelaide Zoo after it encountered financial problems earlier this year, the Government increased annual funding to the Royal Zoological Society of South Australia. The zoo’s annual grant will now be **\$4.5 million** per year.



Savings measures announced in today's Mid-Year Budget Review to offset those policy decisions are:

- The abolition of stamp duty on non-real property transfers will be deferred by one year until July 1, 2013, saving **\$36 million**;
- Abolishing the Renewable Energy Fund which will save **\$11.7 million** acknowledging the need to support individual projects will be diminished with the introduction of a price on carbon which in itself is designed to reduce carbon intensity;
- The planned Southern Community Justice Court, announced in the 2010-11 State Budget will no longer proceed saving **\$12.8 million** in operating expenses in order to focus justice funding on the new Independent Commission Against Corruption;
- The recruitment of an additional 313 police officers will now be extended over six years instead of four years, saving the Government more than **\$50 million** in operating expenses. South Australia still has the highest per-capita police numbers of all states;
- The introduction of an Information and Communication Technology (ICT) efficiency measure, which will result in savings of **\$2.9 million** in 2012-13 and **\$5.9 million** per year from 2013-14;
- Ending the Small and Medium Enterprise Investment Development Program and the National Medical Devices Partnering Program, saving of **\$4.5 million** over four years;
- A combination of administration efficiencies within the South Australian Tourism Commission will save **\$3.6 million** over four years; and
- A reduction in support over the forward estimates for the Sustainability and Climate Change Division (**\$1.5 million**), a mainstreaming of the social inclusion functions (**\$3 million**), and a reduction in funding for the Commissioner for Integrated Design (**\$1 million**).

Mr Snelling said changing global economic conditions had also meant the Government had amended its fiscal strategy to ensure long-term financial sustainability.

The Government's new fiscal targets now include:

- A net operating surplus by the end of the forward estimates;
- Once surplus is achieved operating expenditure growth will be limited to trend growth in household income; and
- Achieve a level of general government net debt that remains affordable over the forward estimates – a maximum ratio of net debt to revenue of 50 per cent.

Underpinning the general government debt target the government continues its commitments that:

- Consistent with the government's obligations under the Competition Principles Agreement operations of public corporations that cannot be paid for from their own revenue streams will be funded from the budget; and
- The defined benefit unfunded superannuation liability will be fully funded by 2034.

The Mid-Year Budget Review also revises down the state's forecast employment growth from 1.5 per cent to 1 per cent in 2011-12 but to rise back to 1.5 per cent in 2012-13.

Similarly, the forecast growth in South Australia's Gross State Product has been revised down in 2011-12 from 2.75 per cent to 2.25 per cent, but is forecast to rise to 3 per cent in 2012-13.

