



2008 | 09

# BUDGET OVERVIEW

Action now for the future

BUDGET PAPER 1



Government  
of South Australia



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# 2008-09 BUDGET AT A GLANCE

**The 2008-09 Budget delivers a once-in-a-generation investment in the state's transport system, increases funding to priority areas of health, families and communities and justice, while improving assistance to first home buyers and cutting payroll tax.**

This budget continues the government's commitment to responsible financial management and a triple-A credit rating. Strong net operating surpluses allow borrowings for infrastructure investment.

The 2008-09 Budget includes new operating and investing expenditure initiatives totalling \$2852 million over the next four years.

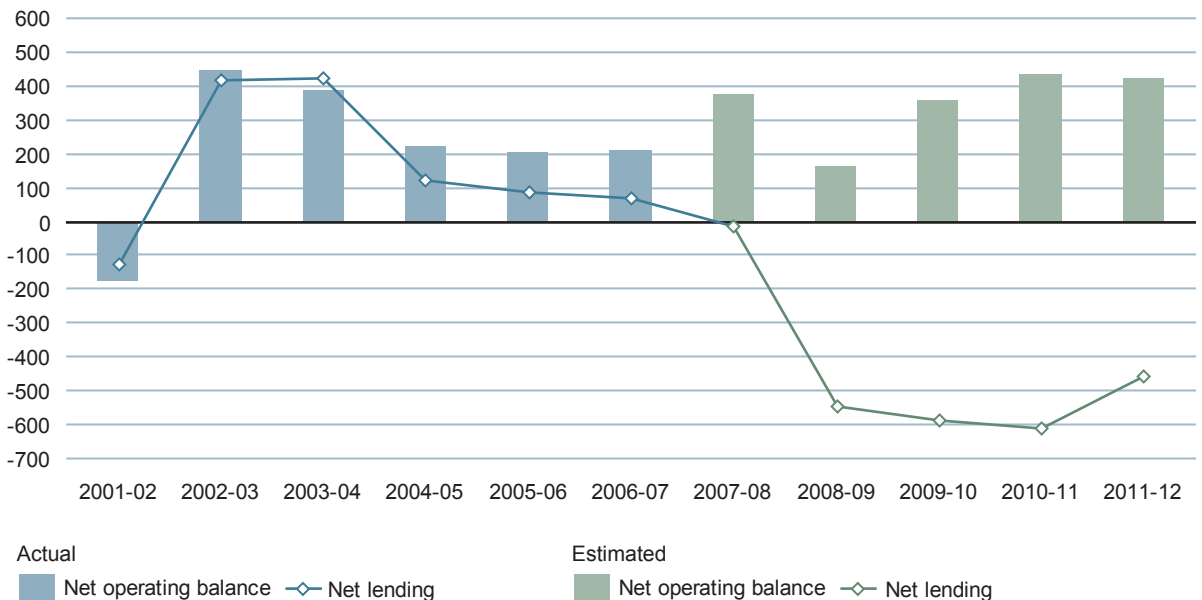
\$1422.4 million will be spent over the next four years to extend and electrify the metropolitan rail network, increase capacity in the public transport system, and invest in the state's roads.

This budget also provides \$462.4 million over the next four years for health initiatives, \$190.6 million over four years for child protection initiatives and \$86.7 million for a comprehensive response to delays in the criminal justice system and the provision of additional prison capacity.

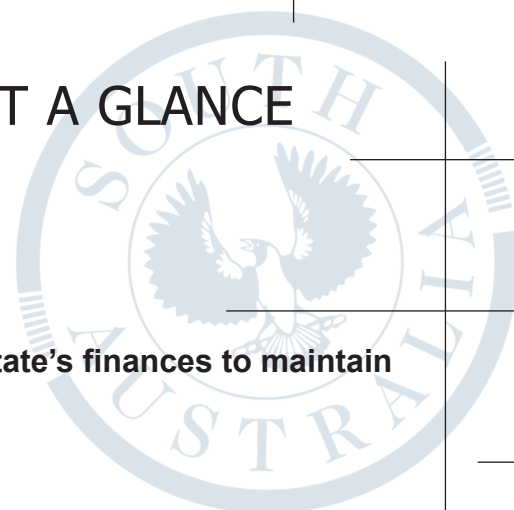
The 2008-09 Budget delivers further payroll tax relief. The payroll tax threshold will be increased from \$504 000 to \$552 000 from 1 July 2008, and will be further increased to \$600 000 from 1 July 2009. The payroll tax rate will also be cut from 5.0 per cent to 4.95 per cent on 1 July 2009.

A new \$4000 first home bonus grant will replace the existing stamp duty concession for homes valued up to \$400 000. The grant will be phased out for first home purchases valued between \$400 000 and \$450 000. The bonus will be in addition to the current \$7000 First Home Owners Grant, and around 95 per cent of first home buyers will be eligible for grant assistance.

**General government sector budget surplus/deficit 2001-02 to 2011-12 (\$ million)**



# 2008-09 BUDGET AT A GLANCE



**The government is committed to prudently managing the state's finances to maintain a triple-A credit rating.**

This budget delivers strong operating surpluses, increasing from \$160 million in 2008-09 to \$424 million in 2011-12.

Strong operating surpluses are important to ensure that borrowings needed to fund the state's large capital program remain at prudent levels.

Operating surpluses have improved since the 2007-08 Mid-Year Budget Review, largely due to increases in taxation revenue, Commonwealth grants and royalties.

Net lending deficits will continue across the forward estimates, peaking at \$611 million in 2010-11, to accommodate the need for strategic capital investment spending.

Net debt is estimated to rise over the forward estimates from \$610 million at June 2009 to \$1983 million at June 2012. The strength of the

government's balance sheet has allowed this increase in debt to fund long-term capital expenditure in priority areas.

Net financial liabilities as a percentage of revenue is expected to increase over the forward estimates.

Increases in debt and net financial liabilities reflect the impact of the government's once-in-a-generation investment in renewing and refreshing essential public transport and social infrastructure.

Capital expenditure, including Public Private Partnerships (PPPs), totals \$10.3 billion across the public sector over the forward estimates. \$6.7 billion of this occurs in the general government sector, with expenditure peaking at \$1.9 billion in 2010-11.

## General government sector net operating balance and net lending (\$ million)

|                       | 2007-08<br>Estimated<br>result | 2008-09<br>Budget | 2009-10<br>Estimate | 2010-11<br>Estimate | 2011-12<br>Estimate |
|-----------------------|--------------------------------|-------------------|---------------------|---------------------|---------------------|
| Net operating balance | 373                            | 160               | 356                 | 434                 | 424                 |
| Net lending           | - 15                           | - 548             | - 589               | - 611               | - 460               |

## General government sector balance sheet indicators

|  | 2007-08<br>Estimated<br>Result | 2008-09<br>Budget | 2009-10<br>Estimate | 2010-11<br>Estimate | 2011-12<br>Estimate |
|--|--------------------------------|-------------------|---------------------|---------------------|---------------------|
| Net debt (\$ million)                    | 82                             | 610               | 1 154               | 1 677               | 1 983               |
| Net financial liabilities (\$ million)   | 8 710                          | 9 330             | 9 996               | 10 688              | 11 179              |
| Net financial liabilities to revenue (%) | 67.9                           | 70.4              | 72.8                | 75.0                | 75.8                |

# FOCUSSING ON THE GOVERNMENT'S SOCIAL AND ECONOMIC OBJECTIVES

**This budget includes additional spending of \$2852 million over the next four years mainly for health, public transport, justice and community services.**

This budget contains new operating initiatives of \$1378.3 million and investing measures of \$1473.6 million, including:

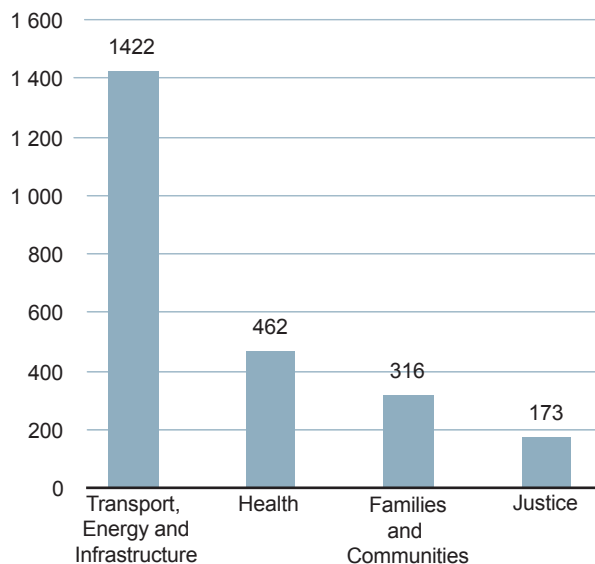
- \$1422.4 million for transport, energy and infrastructure initiatives, including \$648.4 million for urban rail revitalisation;
- \$462.4 million for health initiatives including additional support for growing hospital activity and demand for ambulance services;
- \$316.1 million for Families and Communities, including \$190.6 million for additional alternative care places and services to families and carers, with a focus on providing for the growing number of children in care; and
- \$172.8 million for new initiatives to uphold law and order and community safety.

The government's operating expenses have increased in recent years, reflecting its continuing commitment to health, education, justice and welfare services.

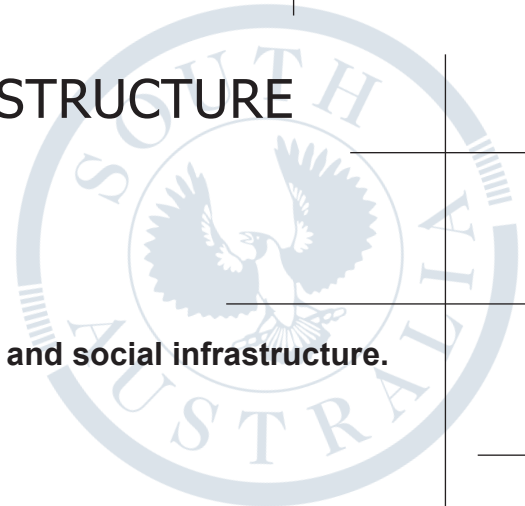
Capital investment expenditure is expected to increase over the forward estimates, reflecting the continuing revitalisation of social and economic infrastructure. Significant investment in infrastructure is critical to South Australia's future growth and prosperity.

The budget includes operating savings measures totalling \$290.4 million over the next four years. This includes a savings target allocated across portfolios that will save \$25 million in 2009-10, \$75 million in 2010-11 and \$150 million in 2011-12.

**New spending in key areas (\$ million over four years)**



# INFRASTRUCTURE



## A major program to rebuild and expand strategic economic and social infrastructure.

Across the public sector over \$10.3 billion will be invested in capital projects over the next four years.

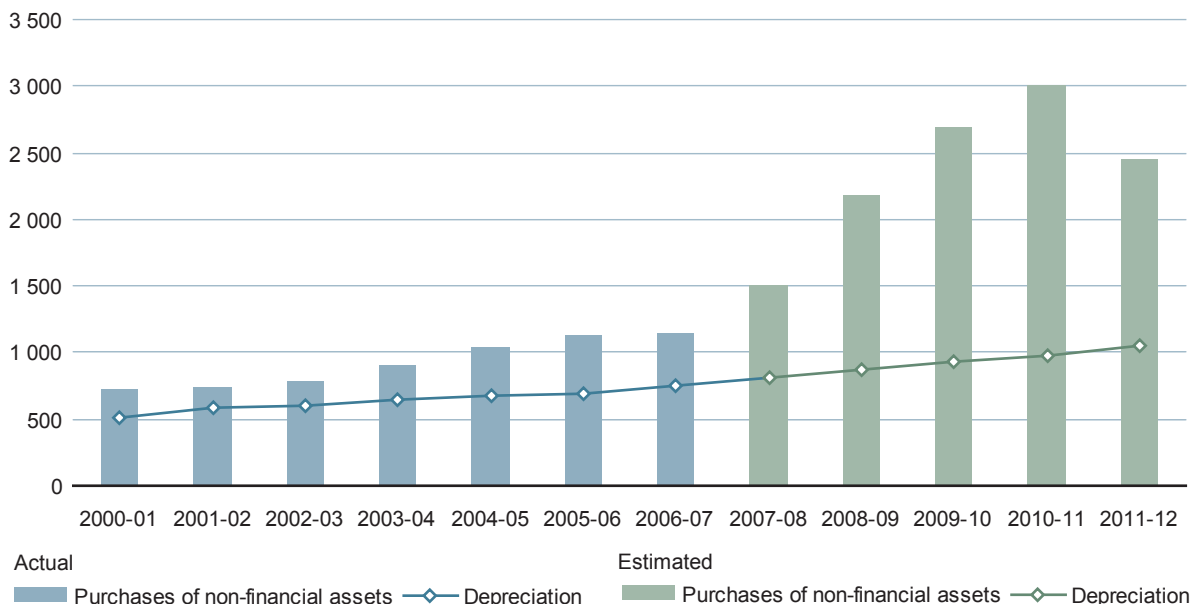
Significant projects include:

- \$1.5 billion over the next four years towards securing South Australia's water supply, featuring a new desalination plant for Adelaide;
- \$1.1 billion over the next four years to upgrade the metropolitan rail network and ticketing system;
- \$564 million for the new Northern Expressway due for completion in December 2010;
- \$333 million to undertake major redevelopments at Lyell McEwin Hospital, the Flinders Medical Centre and The Queen Elizabeth Hospital;
- \$270 million to upgrade the capacity of the Christies Beach waste water treatment plant;

- \$260 million for Techport Australia's Common User Facility — to be operational by February 2010;
- \$118 million for the South Road Underpass of Anzac Highway to be completed December 2009; and
- \$103 million to undertake redevelopments at Berri, Ceduna and Whyalla Hospitals and for a GP Plus centre at Port Pirie.

The government remains committed to providing over \$2 billion of new school, prison and secure facilities infrastructure (to be commissioned across 2010 and 2011) and a new hospital (to be commissioned in 2016) through PPP arrangements.

### Non-financial public sector purchases of non-financial assets (\$ million)



# TRANSPORT

**This budget funds the beginning of a 10 year, \$2.0 billion investment to upgrade, electrify and extend the metropolitan rail network.**

The 2008-09 Budget provides \$648.4 million over the next four years to commence this urban rail reform program.

The 10 year program will include electrification, gauge standardisation, concrete resleepering, light rail network extensions and new electric rail vehicles.

The new electric rail services will be faster and quieter, delivering reduced carbon emissions and improved air quality.

Commencing in 2008-09, the budget provides for the tram network to be extended along Port Road from North Terrace to the Entertainment Centre and for the purchase of new light rail vehicles.

Electrification of the Noarlunga line will commence in 2008-09, and is expected to be completed in 2013-14.

Electrification of the Outer Harbor line will commence in 2010-11, and once connected to the tram network, will enable future extensions of light rail services to West Lakes, Semaphore and Port Adelaide.

The concrete resleepering program will also continue with work commencing on the Gawler line in 2008-09. Electrification works will then commence on this line in 2012-13.

The 10 year program will deliver 50 new electric trains, 58 converted electric trains, 15 new hybrid tram/trains and additional light rail vehicles.

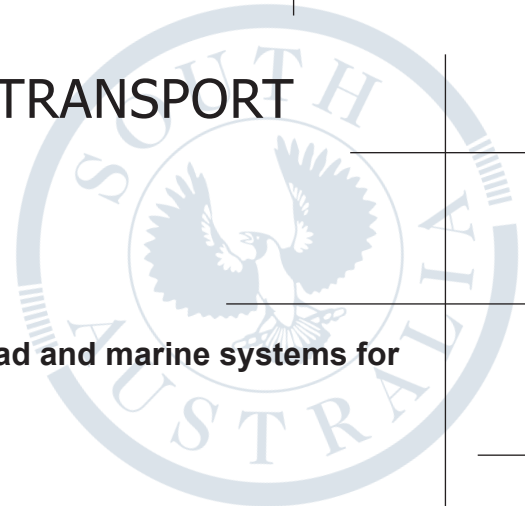
The government is committed to achieving the *South Australia's Strategic Plan* target of doubling weekday passenger transport use to 10 per cent by 2018.

## **Increasing capacity in our public transport system**

In addition to the extension and electrification of the rail system, the 2008-09 Budget delivers significant increases to capacity in our public transport system:

- \$64.4 million to add and operate 80 additional buses in the fleet, providing up to nine million extra passenger journeys over four years, in addition to the 133 new buses to be purchased under the existing \$102.2 million bus replacement program;
- \$40.2 million for upgrades to rail infrastructure and equipment; and
- \$29.0 million over three years for a new public transport ticketing system.





## ...and major initiatives to create safer and more efficient road and marine systems for South Australia.

The efficiency of the road transport system will be improved through major new investments in infrastructure.

The budget provides an additional \$377.9 million over four years for a significant work program on the state's arterial road network in accordance with the national Auslink program. New Auslink projects in 2008-09 include the upgrade of the Dukes Highway, and a major North-South corridor study for South Road.

The budget also provides \$24.9 million over three years for the upgrade of the Victor Harbor Road/South Road and Diagonal Road/Morphett Road intersections.

Heavy vehicle freight routes will receive an additional \$27.1 million over four years to improve key intersections, upgrade railway level crossings, and construct overtaking lanes.

Road and marine safety is a major budget priority.

The budget includes \$48.3 million over four years for additional road shoulder sealing, upgrades to level crossings, and shielding of fixed rural road hazards, such as trees.

The budget provides \$18.7 million over four years for increased road safety enforcement, with additional red light cameras, point to point speed detection, and expanded drug testing.

Heavy vehicle road use compliance will be improved through new initiatives including Chain of Responsibility legislation and the Intelligent Access Program at a cost of \$4.7 million over four years.

Marine safety will be targeted through upgrades worth \$7.9 million to navigational markers, new patrol vessels and a 24 hour/7 day a week marine radio service.

### Building sustainable transport systems

The government's spending on roads and marine safety is in response to significant pressures facing these transport systems. In particular:

- congestion at key intersections;
- increasing maintenance requirements for the state's roads, bridges and ferries;
- increasing heavy vehicle traffic volumes;
- the challenge of meeting the road safety targets in *South Australia's Strategic Plan*; and
- the need to maintain a safe marine environment for expanding numbers of recreational and commercial vessels.

# HEALTH

## Providing support for unprecedented growth in health services while continuing the reform process.

The 2008-09 Budget continues the government's health reform program, delivering a new central hospital, rebuilding our major hospitals, investing in primary care and meeting the growth in demand for services.

The budget provides \$357.1 million over four years for growth in hospital activity and goods and services expenditure providing services for an additional 50 000 patients. A further \$70.3 million was provided in 2007-08 for the same purpose.

Over the next four years, \$333 million will be spent redeveloping Flinders Medical Centre, Lyell McEwin Hospital and The Queen Elizabeth Hospital. \$87 million will be spent progressing the Marjorie Jackson-Nelson Hospital.

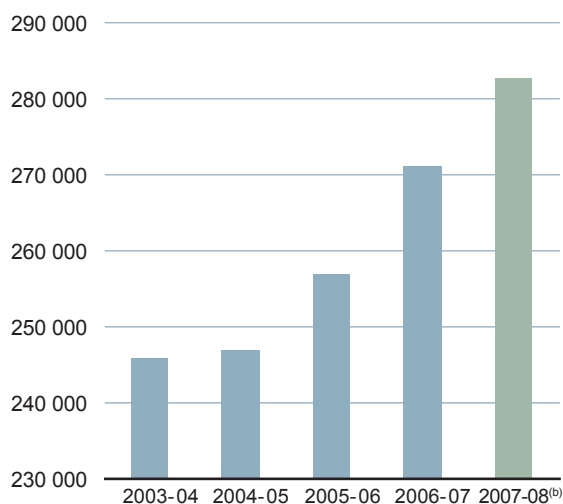
Consistent with South Australia's Country Health Plan, the budget provides \$56.0 million for the redevelopment of the Berri and Whyalla Hospitals to

increase capacity and expand the range of services provided.

\$26.6 million has been provided to the SA Ambulance Service for additional paramedics, staff and ambulances to provide an extra 96 000 paramedic responses over the next four years.

South Australia continues to negotiate funding for key health initiatives in the Council of Australian Governments (COAG) process. Initiatives being negotiated include providing additional support for postnatal depression, transition care, dental services and Indigenous children. The development of GP Super Clinics is also being progressed.

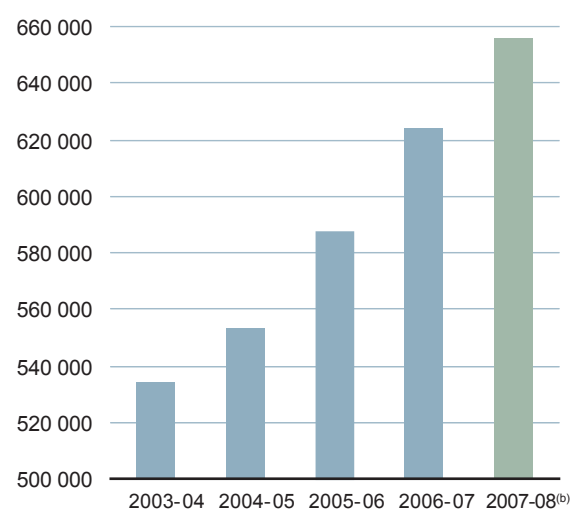
**Metropolitan hospital activity (same day and overnight admissions)<sup>(a)</sup>**



(a) Weighted by resource intensiveness.

(b) Estimate provided by Department of Health.

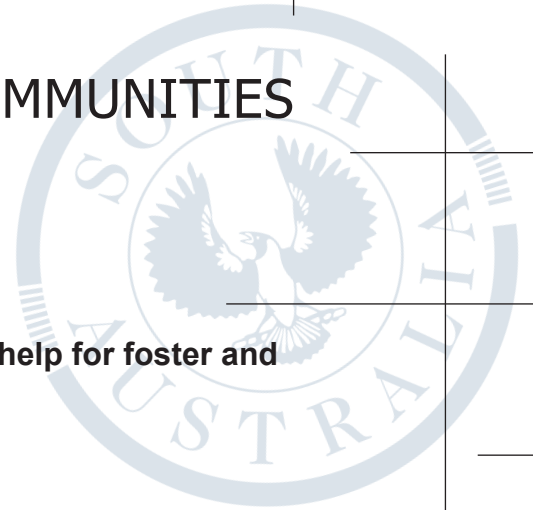
**Emergency department activity (metropolitan hospitals)<sup>(a)</sup>**



(a) Weighted occasions of service.

(b) Estimate provided by Department of Health.

# FAMILIES AND COMMUNITIES



## An increased focus on keeping families together and extra help for foster and relative carers.

The budget provides \$316.1 million over four years for Families and Communities with a strong focus on providing for the growing number of children in care.

\$142.1 million has been allocated for the costs associated with a projected increase in the number of children in care in the forward estimates period. This creates a sustainable service delivery program.

In addition, \$48.4 million over four years, has been provided to assist families in their homes and provide additional support to carers, including:

- \$15.0 million for early intervention case management and home visiting services;
- \$13.2 million for increased capacity for specialised placement support and intensive family preservation and reunification services; and
- \$8.3 million for additional services to support carers, including additional staff to improve the worker to carer support ratio.

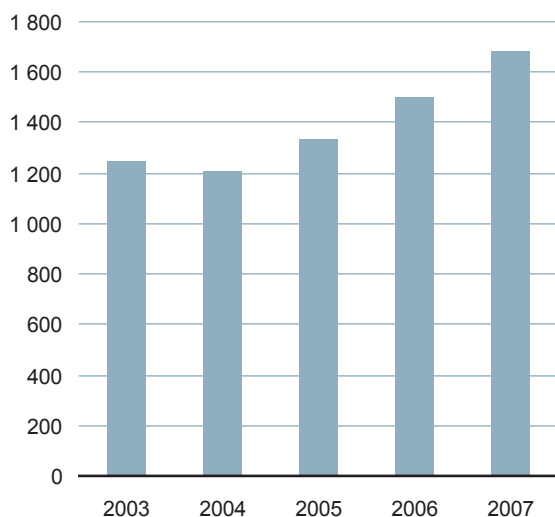
This continues the government's previous commitment through the *Keeping Them Safe – In Our Care* strategy.

A number of these initiatives address recommendations in the final report of the *Commission of Inquiry (Children in State Care)*. A response to that report will be presented to the Parliament in June 2008.

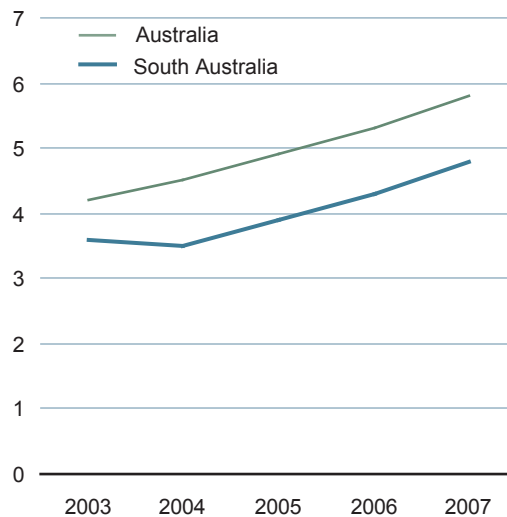
The 2008-09 Budget also provides support for disability services, including:

- \$72.9 million for an expansion in disability services under the Commonwealth State Territory Disability Agreement funded by the Commonwealth; and
- \$26.6 million for on-going support to supported residential facilities in the disability sector.

**Number of children in care in South Australia (as at 30 June)**



**Children in care (as at 30 June)  
Rate per 1000 children aged 0-17 years**



# JUSTICE SYSTEM

**The 2008-09 Budget delivers a comprehensive response to delays in the criminal justice system and the provision of additional prison capacity.**

\$48.1 million in additional resources over the next four years is provided to address delays in each step of the criminal justice system, including:

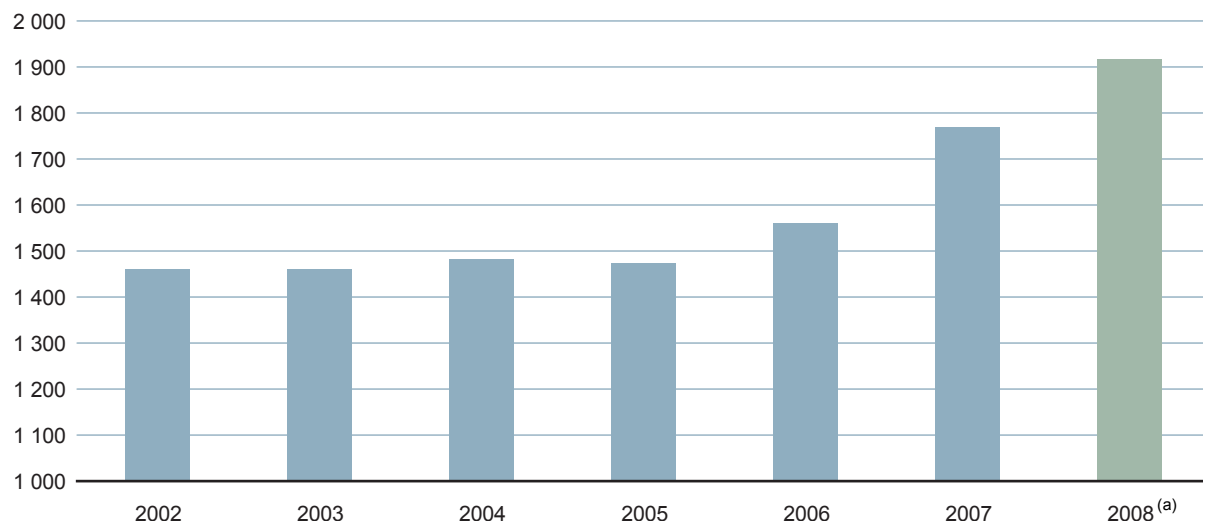
- \$8.4 million for increased capacity for DNA testing and pathology services;
- \$7.5 million to address workload issues in the Office of the Director of Public Prosecutions (ODPP), including the response to the *Commission of Inquiry (Children in State Care)*. The government has now more than doubled staff numbers in the ODPP since coming to office with more than 140 FTEs in the office in 2009-10;
- \$8.3 million for legal aid services. That is a 17 per cent increase in the State contribution to the Legal Services Commission;
- \$520 000 to increase the number of Aboriginal interpreters; and

- \$18.9 million to re-open the former Sturt Street District Court facility. This provides two additional criminal courtrooms along with three additional judges and operational services.

Additional resources will also be provided to the Department for Correctional Services, in particular (over the next four years):

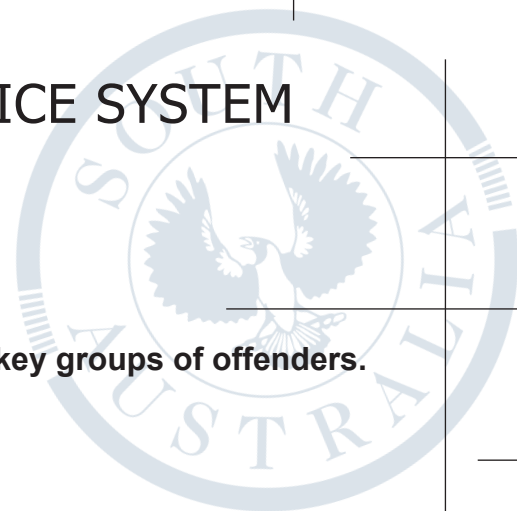
- \$35.9 million to facilitate further growth of 209 prisoners by 2010-11; and
- \$2.7 million to assist in meeting the growth in people supervised through the community corrections system.

**Prisoners in Custody (as at 30 June)**



(a) Prisoners in custody as at 1 April 2008.

# JUSTICE SYSTEM



## Investing in equipment for police and courts and targeting key groups of offenders.

Improved service delivery will be supported by additional capital expenditure in the Justice system, including:

- \$38.7 million over two years from 2010-11 for the relocation of Police Headquarters;
- \$7.5 million for new and replacement speed and red light camera equipment;
- \$5.7 million to replace closed circuit television equipment and systems in both metropolitan and regional police stations, for the management and safety of prisoners;
- \$4.2 million over four years for an expanded asset replacement program in the courts, which initially will enable the introduction of digital audio equipment for court reporting; and
- \$1.2 million to replace Livescan fingerprint scanning equipment.

The on-going fight against organised crime and outlaw motorcycle gangs will be supported through a \$5.2 million investment in a new sophisticated information technology system to cross reference criminal associations, details of control orders and public safety orders. The system will be progressively implemented over five years, bringing relevant information together from existing SAPOL systems.

The government remains committed to the *Recruit400* initiative announced in the 2006-07 Budget, employing 200 additional police over the next two years.

By 2010, the government will have recruited 600 more officers to the police force than when it came into office.

**To Break the Cycle** — focussing on young people between the ages of sixteen and twenty who have offended repeatedly, and for whom the risk of further recidivist behaviours is high. This budget provides additional resources for a series of new initiatives (over four years) including:

- \$5.6 million for a community protection panel that will provide intensive monitoring and intervention for serious repeat offenders who pose a high risk of harm to the public;
- \$4.0 million for multidisciplinary youth justice teams to provide case management, programs and services to young offenders;
- \$1.0 million for the Tirkandi school retention program for Aboriginal youth attending Warriappendi School;
- \$829 000 to implement the David Kennedy Model program, which is a preventative approach that discourages repeat offending by youth in disadvantaged areas; and
- \$143 000 for cultural programs to encourage at risk Aboriginal youth to enter and stay with education, training and employment pathways.

# FIRST HOME BUYER ASSISTANCE

**A new first home bonus grant will replace the existing stamp duty concession to provide substantially more assistance for first home buyers. The new arrangements will provide relief of \$130 million over four years and will assist around 95 per cent of first home buyers.**

The current stamp duty concession scheme will be replaced with a \$4000 first home bonus grant for first home purchases valued up to \$400 000. The grant will be phased out for first home purchases valued between \$400 000 and \$450 000.

The additional assistance provided to first home buyers is in recognition of recent increases in housing prices in South Australia.

Based on First Home Owners Grant data, the median value of first home purchases in the December quarter 2007 was \$260 000.

Around 95 per cent of first home buyers are expected to receive assistance under this scheme. About 9200 first home buyers or over 90 per cent of all first home buyers are estimated to be eligible for the full \$4000 first home bonus grant in 2008-09. 360 first home buyers are estimated to receive a partial grant.

This compares with around 50 per cent of first home buyers that would have received assistance under the first home owner concession scheme in 2008-09.

The \$4000 grant will be in addition to the \$7000 First Home Owners Grant. Eligibility conditions for the first home bonus grant will be the same as those applying for the First Home Owners Grant.

The replacement of the first homeowner stamp duty concession with the first home bonus grant will apply to first home contracts entered into on or after 5 June 2008.

## First home buyer relief (\$)

| Property value | Value of existing stamp duty concession | Value of first home bonus grant <sup>(a)</sup> | Additional relief to first homebuyers |
|----------------|---|--|---------------------------------------|
| 50 000         | 1 080                                   | 4 000  | 2 920                                 |
| 80 000         | 2 130                                   | 4 000  | 1 870                                 |
| 100 000        | 1 415                                   | 4 000  | 2 585                                 |
| 150 000        | 2 415                                   | 4 000  | 1 585                                 |
| 200 000        | 1 215                                   | 4 000  | 2 785                                 |
| 250 000        | 15                                      | 4 000  | 3 985                                 |
| 300 000        | —                                       | 4 000  | 4 000                                 |
| 350 000        | —                                       | 4 000  | 4 000                                 |
| 400 000        | —                                       | 4 000  | 4 000                                 |
| 410 000        | —                                       | 3 200  | 3 200                                 |
| 420 000        | —                                       | 2 400  | 2 400                                 |
| 430 000        | —                                       | 1 600  | 1 600                                 |
| 440 000        | —                                       | 800  | 800                                   |
| 450 000        | —                                       | —  | —                                     |
| 500 000        | —                                       | —  | —                                     |

(a) Grant of \$4000 for first homes priced up to \$400 000, phased out at \$450 000.



# PAYROLL TAX

**This budget delivers further payroll tax relief to South Australian businesses which when added to the rate reductions announced last year will total nearly \$600 million of payroll tax relief over five years from 2007-08.**

## Payroll tax

The payroll tax threshold will be increased from \$504 000 to \$552 000 from 1 July 2008 with a further increase to \$600 000 from 1 July 2009. The payroll tax rate will also be cut from 5.0 per cent to 4.95 per cent from 1 July 2009.

These measures are in addition to payroll tax cuts announced in the 2007-08 Budget and will provide further benefits to businesses in South Australia.

As announced in the 2007-08 Budget, the payroll tax rate was cut from 5.5 per cent to 5.25 per cent from 1 July 2007 with a further cut to 5.0 per cent from 1 July 2008.

When all payroll tax measures are fully implemented in 2009-10, the annual payroll tax savings to South Australian businesses will be around \$136 million compared to rates and thresholds that applied prior to 1 July 2007.

About 6500 employers, employing an estimated 380 000 South Australians, are expected to benefit from payroll tax relief measures, including an estimated 300 employers who will no longer be liable for payroll tax when the threshold increases to \$600 000.

## Payroll tax harmonisation measures

As announced in the 2007-08 Budget, a number of payroll tax measures to improve inter-jurisdictional consistency will be introduced from 1 July 2008.

Harmonising payroll tax arrangements across jurisdictions will provide consistency for businesses working across states and territories and cut red tape.

## Cost of payroll tax relief (\$ million) — 2007-08 and 2008-09 Budgets

|   | 2007-08<br>Budget | 2008-09<br>Budget | 2009-10<br>Estimate | 2010-11<br>Estimate | 2011-12<br>Estimate |
|---|-------------------|-------------------|---------------------|---------------------|---------------------|
| <b>Previously announced rate reductions</b>                       |                   |                   |                     |                     |                     |
| 5.5% to 5.25% - from 1 July 2007                                  | - 39.5            | - 45.9            | - 48.7              | - 51.5              | - 54.4              |
| 5.25% to 5.0% - from 1 July 2008                                  | —                 | - 42.1            | - 48.7              | - 51.5              | - 54.4              |
| <b>2008-09 Budget measures</b>                                    |                   |                   |                     |                     |                     |
| Threshold increase from \$504 000 to \$552 000 - from 1 July 2008 | —                 | - 9.4             | - 10.8              | - 11.4              | - 12.1              |
| Threshold increase from \$552 000 to \$600 000 - from 1 July 2009 | —                 | —                 | - 9.4               | - 10.9              | - 11.5              |
| Rate reduction 5.0% to 4.95% - from 1 July 2009                   | —                 | —                 | - 8.9               | - 10.3              | - 10.8              |
| <b>Harmonisation measures - from 1 July 2008</b>                  | —                 | - 8.3             | - 9.5               | - 10.0              | - 10.5              |
| <b>Total</b>  | <b>- 39.5</b>     | <b>- 105.7</b>    | <b>- 135.9</b>      | <b>- 145.5</b>      | <b>- 153.7</b>      |

Note: Totals may not add due to rounding.

# WATER

## Delivering water security for South Australia.

Water security for South Australia will be achieved through projects and technologies that provide us with the necessary security in the face of climate change.

The first \$96.5 million towards the 50 giga-litre Adelaide desalination plant will be spent in 2008-09, allowing construction of the \$1.4 billion plant and transfer pipeline to begin in 2009-10.

\$80 million will be spent in 2008-09 on upgrades and expansion to wastewater treatment plants and water recycling infrastructure, and over the next four years \$426 million worth of projects will be completed including:

- key re-use expansion projects such as the Glenelg to Parklands project bringing recycled water into Adelaide's CBD, and the Angle Vale extension to supply recycled water to more market gardeners; and

- work on upgrading or expanding wastewater treatment plants at Christies Beach, Aldinga, and Glenelg.

\$33.5 million will be spent upgrading water quality plants at Myponga, Mount Pleasant and in the Riverland.

\$24 million will be available over three years for rebates to foster harvesting of rainwater and reduction of water use in the home.

A further \$6.8 million will be spent on a range of initiatives in 2008-09 to minimise the impacts of the current drought and ensure water supply to the more than 90 per cent of South Australians who rely on the River Murray.

### Waterproofing Adelaide

- The State Government is committed to fast-tracking the Adelaide desalination plant to be delivering water by the end of 2011.
- Feasibility work is continuing on doubling the capacity of storages in the Mount Lofty Ranges to store two years of urban supply.
- Upgrades to waste water treatment plants will increase the percentage of wastewater reused in South Australia to nearly 45 per cent. In 2006-07, we reused about 30 per cent.
- The government has signed the COAG memorandum of understanding on Murray-Darling Basin Reform — enabling necessary action to address over allocation, improve environmental outcomes and enhance the efficiency of irrigation to achieve an environmentally sustainable future for the basin.
- The State Government is currently compiling a list of priority water infrastructure projects to be considered for inclusion in the Commonwealth's Water for the Future Program.



# GROWING PROSPERITY



## Initiatives supporting South Australia's Strategic Plan Objective 1: Growing Prosperity.

In addition to significant investment in infrastructure, transport and cuts to payroll tax, the 2008-09 Budget supports the future economic development of South Australia with key initiatives in defence, mining, planning and development and tourism.

The budget reflects the continued commitment to the Air Warfare Destroyer program, with \$7.8 million for site preparation works on stages 3 and 4 of the Techport Australia Supplier Precinct, and \$15.0 million for works on other land holdings within the Techport Australia site. This is in addition to \$7.3 million to commence implementation of the Northern Lefevre Peninsula Masterplan.

Other key industry initiatives supported in the 2008-09 Budget (over the next four years) include:

- \$11.0 million to support the growth of minerals exploration and mining. Ten major mines are currently operational in South Australia, compared

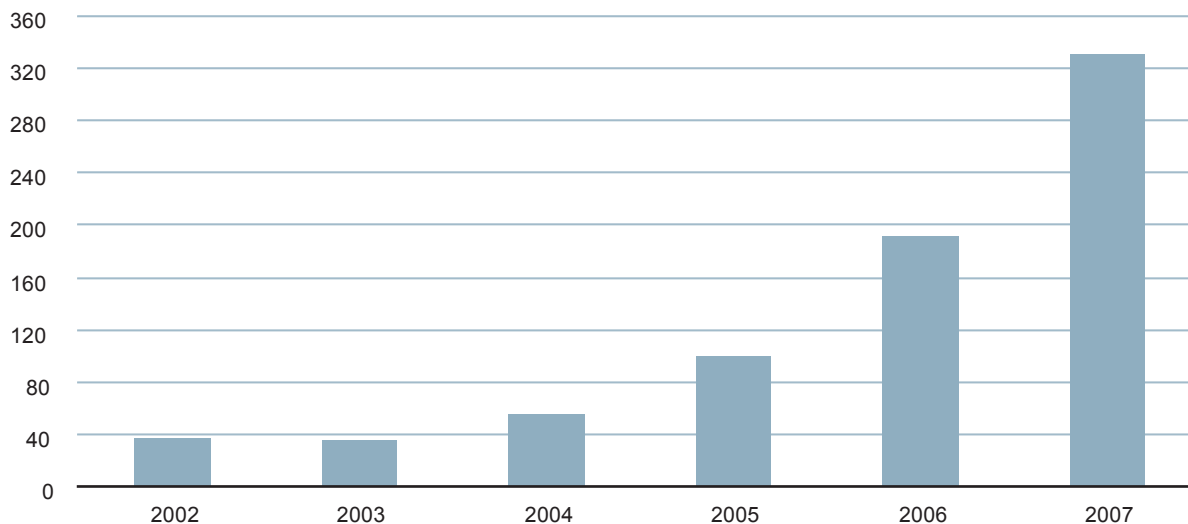
to five in 2004. A further 27 mines are in an advanced stage of assessment and approval;

- \$7.9 million, in addition to \$1.6 million provided in 2007-08, to improve South Australia's planning and development system; and
- \$5.3 million to continue and expand the government's program of attracting and retaining skilled migrants.

The government has increased its commitment to key tourism activities within South Australia with:

- \$14.6 million over the next four years for the Tour Down Under to ensure that it continues to be a part of the UCI ProTour circuit; and
- \$3.1 million over the next four years to host the Australian Tourism Exchange in Adelaide in 2010, support the Great Australian Outback Cattle Drive, and increase support for WOMADelaide.

### Annual mineral exploration expenditure in South Australia (\$ million)



Source: ABS, Mineral and Petroleum Exploration, Australia, Catalogue Number 8412.0

# IMPROVING WELLBEING

## Initiatives supporting South Australia's Strategic Plan Objective 2: Improving Wellbeing.

In addition to substantial new funding for the criminal justice and health systems, the 2008-09 Budget provides significant funding for road safety improvements and sport and recreational facilities.

Continuing the commitment to improving public infrastructure and road safety, this budget also provides:

- \$40.7 million over four years for road shoulder sealing and level crossing safety improvements;
- \$24.9 million over three years from 2009-10 for the upgrade of two major road intersections; and
- \$4.2 million in 2008-09 for rural road safety measures.

The health unit operating budget is \$3.2 billion in 2008-09, \$1.3 billion more than 2001-02. Health operating spending is budgeted to grow at an average of 3.9 per cent per annum over the next four years.

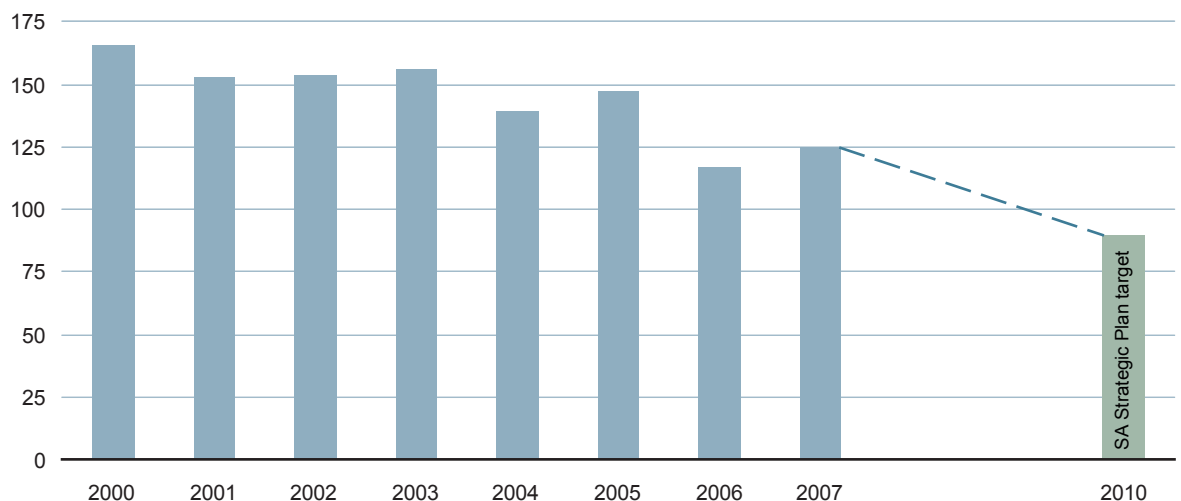
Additional funding has also been provided in 2007-08 to support the provision of health services across the sector, to reduce elective surgery waiting times, and to improve financial management and reporting.

The government continues to support the upgrade of major sporting facilities, providing \$100.0 million over three years for the redevelopment of AAMI Stadium, improving patrons' experience of the state's largest multi-purpose sports and entertainment stadium.

The budget also provides for the upgrade of a range of sporting and recreational facilities, including:

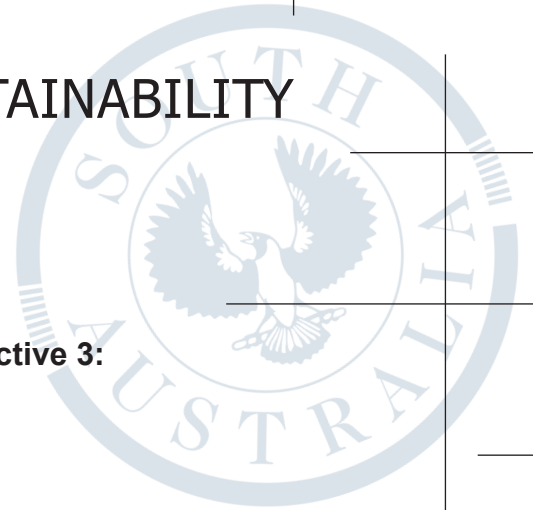
- \$18.9 million in 2007-08 to the Royal Zoological Society of SA for facility redevelopments; and
- \$17.5 million over two years for other sporting and recreational facility redevelopments.

**South Australian road fatality rates**



Source: Department for Transport, Energy and Infrastructure

# ATTAINING SUSTAINABILITY



## Initiatives supporting South Australia's Strategic Plan Objective 3: Attaining Sustainability.

The government is committed to the expansion of public transport services and to the better integration of these services into future urban development. More efficient, expanded and highly-patronised public transport reduces car use and emissions. Initiatives include:

- \$648.4 million over four years towards a 10 year, \$2.0 billion urban rail reform program, including rail extension, electrification, upgrade of rail cars, and purchase of new light rail vehicles;
- \$64.4 million over four years to add 80 new buses to the public transport fleet;
- \$48.4 million over four years for the provision of train and light rail services; and
- \$29.0 million over three years, commencing in 2009-10, for a new public transport ticketing system.

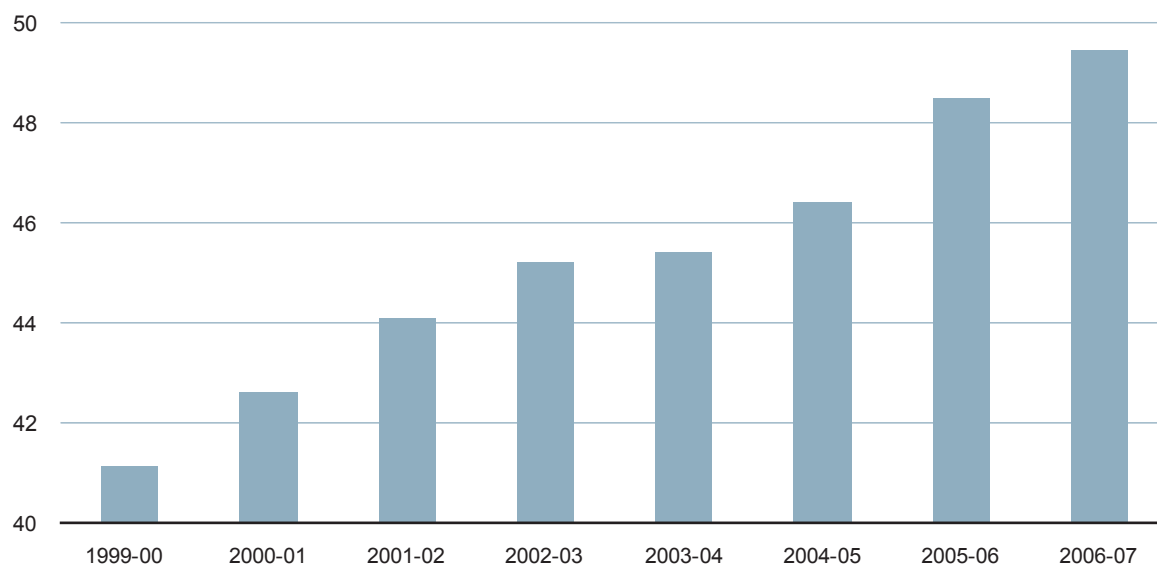
Additional support has also been provided for climate change and water security initiatives including:

- \$8.0 million in 2007-08 for the purchase of solar panels at the Wayville Showgrounds;
- \$6.8 million in 2008-09 for River Murray water security measures; and
- \$2.4 million over four years to support improved energy and water efficiency and reduce waste in private sector buildings.

The government has also provided support for additional climate change initiatives prior to the budget including:

- \$3.8 million per annum indexed from 2010-11 for the purchase of green power and carbon offsets by government agencies; and
- \$2.0 million over four years for the implementation of a Residential Energy Efficiency Scheme (REES).

### Public transport patronage trends — boardings (million)



Source: Department for Transport, Energy and Infrastructure

# FOSTERING CREATIVITY AND INNOVATION

## Initiatives supporting South Australia's Strategic Plan Objective 4: Fostering Creativity and Innovation.

The government continues its commitment to the arts sector through investment in arts infrastructure and artists, including:

- \$50.0 million in 2007-08 to undertake major facility enhancements at the Adelaide Entertainment Centre, including the construction of a new live entertainment venue for up to 2500 people;
- \$4.2 million over four years to support the next generation of South Australian based screen writers, directors and film producers;
- \$1.9 million over four years for the staging of arts events including the Adelaide Cabaret festival;
- \$1.8 million over two years from 2010-11 for the establishment of a third Regional Centre of Culture;
- \$1.8 million in 2007-08 to support the Adelaide Symphony Orchestra;

- \$1.5 million over four years to support the State Opera and State Theatre, our major performing arts companies;
- \$1.1 million in 2009-10 for an Indigenous arts cultural exchange program with Manitoba, Canada; and
- \$500 000 in 2007-08 to support the Australian Dance Theatre.

Prior to the budget, the government provided for a new Film and Screen Hub at a total capital cost of \$43.0 million within the Glenside Cultural Precinct. This initiative, commencing in 2007-08, represents a major investment in the future of the South Australian film industry and provides economic and cultural growth opportunities for the state.

### Research, science and technology

The budget provides \$13.6 million for research, science and technology initiatives to establish new facilities and develop innovative solutions to challenges faced in the 21st century. Major initiatives include:

- \$4.7 million in 2008-09 for the further development of an international university precinct in Victoria Square;
- \$4.0 million over four years for the digital content industry to assist in workforce development and support start-up companies providing simulation and visualisation products;
- \$1.2 million over three years for a research partnership with the Apulia regional government in Italy to enable students to undertake research in Adelaide in key academic disciplines;
- \$1.0 million over four years to continue the South Australian Science Excellence Awards;
- \$1.0 million in 2008-09 for Constellation SA to assist the coordination and promotion of innovation in the science and technology sector;
- \$1.0 million in 2007-08 for the Royal Institution of Australia to support science and innovation activities; and
- \$750 000 over three years to establish an International Centre for Minerals and Energy Resources.

# BUILDING COMMUNITIES



## Initiatives supporting South Australia's Strategic Plan Objective 5: Building Communities.

The 2008-09 Budget provides substantial additional support to the emergency services sector including the following key initiatives:

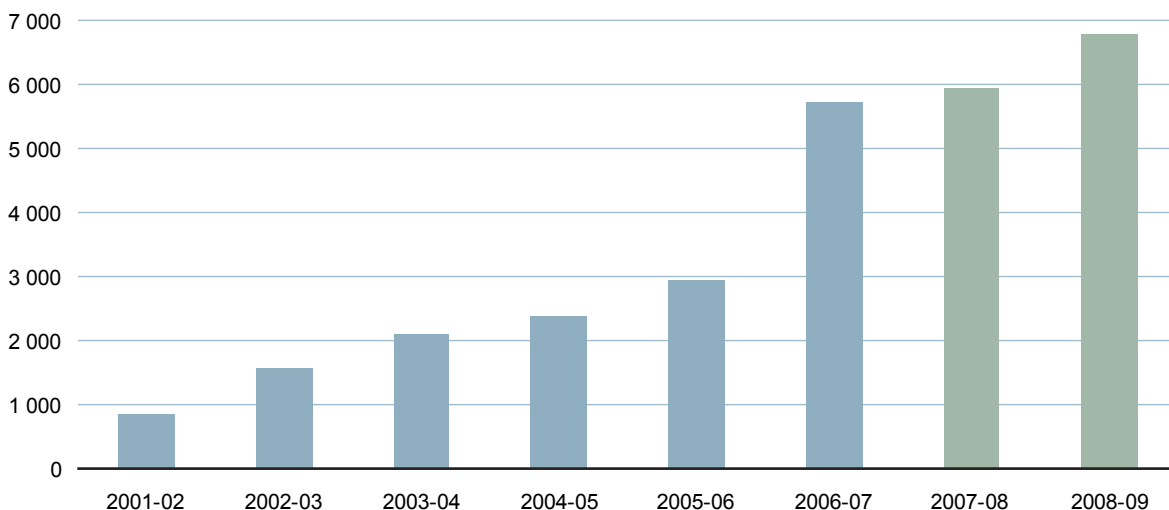
- \$15.9 million over four years for aerial firefighting, including an air crane dedicated to South Australia, staffing for aerial firefighting supervision and operations management and improved fire retardant mixing infrastructure;
- \$8.6 million over four years for 22 additional firefighters for the new Paradise Fire Station;
- \$2.9 million over four years for community education on bushfires, enhanced training for bushfire management teams and the employment of a Regional Public Warnings Officer;
- \$808 000 over three years for continuation of the government's contribution to bushfire research; and
- \$160 000 in 2008-09 for a replacement SA Sea Rescue Squadron vessel at O'Sullivan's Beach.

Additional support is provided for children in care, their families and carers through \$190.6 million over the next four years, including an early intervention home visiting scheme, increased resources to recruit carers and support for carers through greater subsidies and improved placement services support.

The budget also provides support for the regions, with additional funding:

- \$56.0 million for the redevelopment of the Berri and Whyalla Hospitals;
- \$12.4 million of state support for the joint Commonwealth/State Exceptional Circumstances support program;
- \$9.8 million for River Murray water security measures and relief from fees and levies; and
- \$9.1 million for new school infrastructure in regional South Australia.

**SA Country Fire Service — aerial firefighting aircraft expenses (\$'000)**



# EXPANDING OPPORTUNITY

## Initiatives supporting South Australia's Strategic Plan Objective 6: Expanding Opportunity.

The budget provides funding to improve educational outcomes. Major initiatives include:

- \$10.5 million over four years to support the School Retention strategy. Additional resources have been provided for the continuation of four Innovative Community Action Networks (ICANs), the Alternative Learning Options program and the Guardianship Assertive Management initiative; and
- \$800 000 in 2008-09 for investment in school buses (bringing the total school bus replacement program to \$1.9 million in 2008-09).

The total education capital program for 2008-09 is \$70.7 million, this includes 10 new education projects in both metropolitan and regional areas.

Initiatives to expand opportunities for people with a disability include:

- \$26.6 million for on-going support to supported residential facilities in the disability sector;

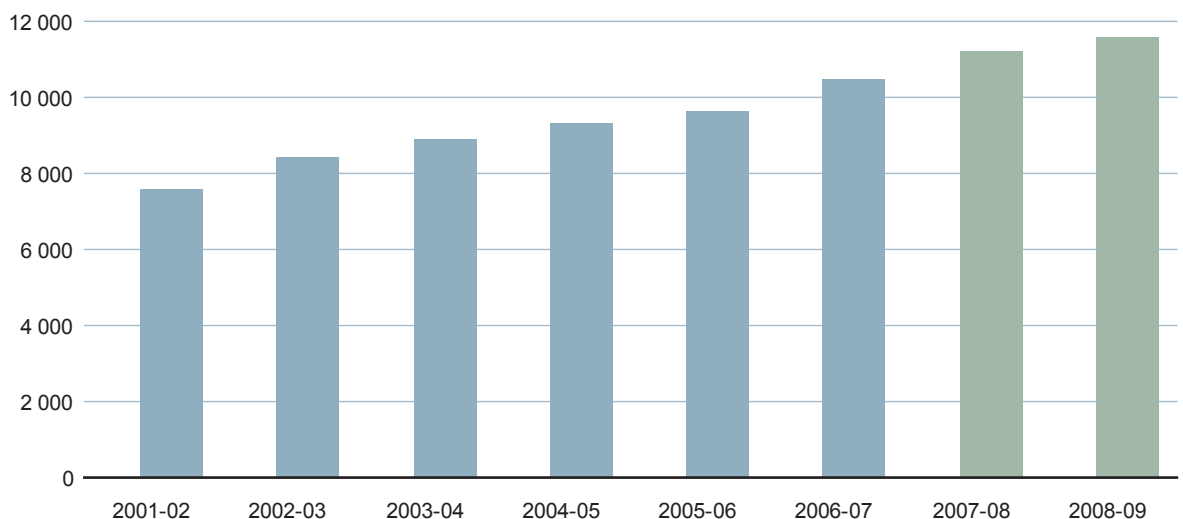
- \$9.3 million over four years on improving access to public transport;
- \$5.0 million in 2007-08 for additional disability equipment; and
- \$2.0 million in 2007-08 to Novita Children's Services for the construction of a new hydrotherapy pool at Regency Park.

The government has made further commitments to address homelessness through:

- \$4.0 million for the Foyer Plus project; and
- \$2.8 million to establish a Common Ground facility at Port Augusta.

The government has committed to a partnership with the Commonwealth through COAG to negotiate South Australia's share of 630 000 additional skills training places for job seekers and existing workers.

Department of Education and Children's Services — spending per government school student (\$) <sup>(a)</sup>



(a) Reflects budgeted operating expenses divided by enrolment estimates.





## The budget continues to support the regional communities of South Australia.

Key bodies, policies and programs work together to focus government attention on regional issues, through the regional development framework.

The drought is continuing to have an impact on regional South Australia. The government has previously announced a range of measures to assist regional South Australia. In 2008-09 these measures include:

- \$12.4 million as part of a \$124.3 million joint Commonwealth/State Exceptional Circumstances support program; and
- \$9.8 million in 2008-09 for River Murray Water Security measures and relief from fees and levies for irrigators and others in the drought affected River Murray Catchment Area.

In addition to new investment in transport infrastructure, regional initiatives in the 2008-09 Budget include:

- \$41.0 million over three years for the redevelopment of the Berri Hospital;
- \$16.3 million over three years for the upgrade and replacement of government employee housing;
- \$15.9 million over four years for aerial firefighting, including an air crane dedicated to South Australia;
- \$15.0 million over two years for the redevelopment of the Whyalla Hospital;
- \$11.0 million over four years to facilitate the efficient processing of exploration and mining approvals and allow for monitoring and regulation of the mining industry;
- \$9.1 million over three years for new school infrastructure in regional South Australia; and
- \$2.6 million in 2008-09 to replace two BreastScreen SA country mobile units.

### Regional transport infrastructure

The 2007-08 Budget invested heavily in regional road infrastructure. The 2008-09 Budget continues this investment with substantial new expenditure for transport infrastructure in regional South Australia:

- \$29.4 million over four years for shoulder sealing on rural roads;
- \$27.1 million over four years to improve the efficiency of the freight transport network, primarily on rural South Australian roads; and
- \$4.2 million in 2008-09 for the Rural Road Safety Program to target infrastructure improvements on rural roads.

# ECONOMIC HIGHLIGHTS

**The South Australian economy has experienced strong employment growth in 2007-08. Despite the dampening effects of successive interest rate rises and tightened financial conditions, the 2008-09 outlook for the South Australian economy remains solid, underpinned by resilient business investment and housing construction.**

Overall economic growth in 2007-08 is estimated to be 3¾ per cent, significantly higher than in 2006-07, reflecting the continued strong growth of the non-farm sectors of the economy combined with a recovery in broadacre crop production. Employment in South Australia has grown strongly in 2007-08 — up an estimated 2¼ per cent.

The 2007-08 winter crop production estimate is 77 per cent higher than the drought affected 2006-07 crop, but is still below its five-year average level. Full recovery in the farm sector in coming years remains dependent on a return to normal rainfall conditions and a subsequent improvement in water flows and allocations to irrigated farming.

Dwelling construction was strong in South Australia during 2007, with dwelling commencements reaching their highest calendar year level since 1993.

Growth in the South Australian economy is expected to remain strong although easing in 2008-09, with employment growth forecast to be 1½ per cent.

Business investment is expected to remain at high levels with surveys of work yet to be done and major projects listings showing a large amount of activity in the pipeline. Mineral exploration expenditure has been strong, rising by 78 per cent in 2007, lifting the state's share to over 16 per cent of the national total.

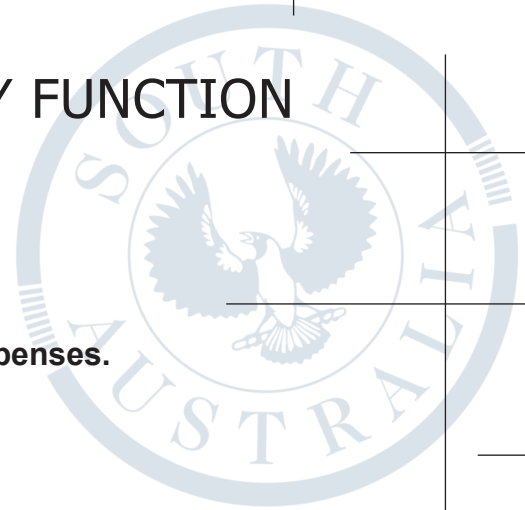
Solid employment growth underpinned strong levels of household consumption spending in 2007, but growth is expected to moderate under the weight of tightened monetary conditions in the coming financial year. The dwelling construction outlook remains positive despite moderation caused by higher interest rates.

## Key assumptions underlying the budget and forward estimates — South Australia

|  | 2007-08<br>Estimate | 2008-09<br>Budget | 2009-10<br>Estimate | 2010-11<br>Estimate | 2011-12<br>Estimate |
|--|---------------------|-------------------|---------------------|---------------------|---------------------|
| <b>South Australia</b>                   |                     |                   |                     |                     |                     |
| Gross State Product - real growth (%)    | 3¾                  | 2¾                | 2¾                  | 2¾                  | 2¾                  |
| Employment - growth (%)                  | 2¼                  | 1½                | 1¼                  | 1                   | 1                   |
| <b>Australia</b>                         |                     |                   |                     |                     |                     |
| Gross Domestic Product - real growth (%) | 3½                  | 2¾                | 3                   | 3                   | 3                   |
| Employment - growth (%)                  | 2½                  | 1¼                | 1¼                  | 1¼                  | 1¼                  |



# EXPENSES BY FUNCTION



## Health and education continue to dominate government expenses.

Health is the most significant expense category, representing 29.2 per cent of operating expenses in 2008-09. More than \$3.1 billion of this is attributable to acute care institutions.

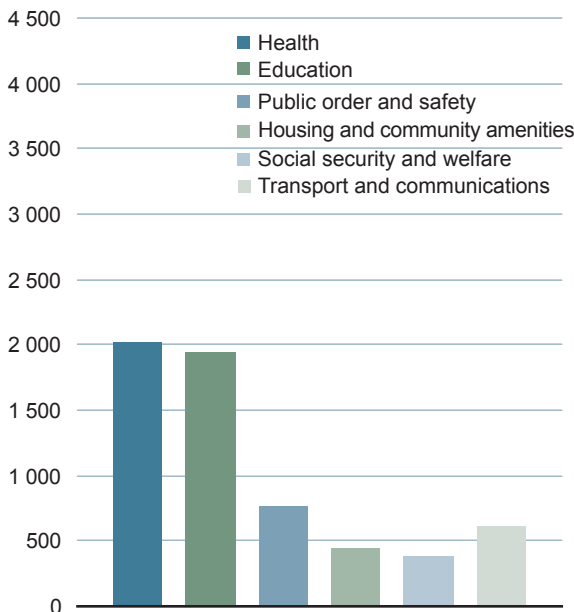
Education expenses, at \$3.3 billion in 2008-09 represents the second largest expense category.

Public order and safety, including police and fire protection services and law courts and legal services, is expected to cost \$1.3 billion in 2008-09. Housing and community amenities are projected to cost around \$1.2 billion.

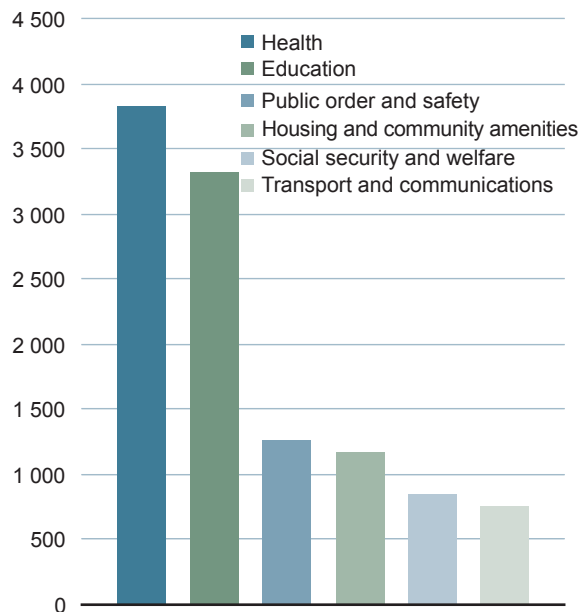
These services are funded from the government's revenue streams, the most significant of which is grants from the Commonwealth Government, at \$6.4 billion or 48.5 per cent of revenue.

State taxes, at \$3.6 billion or 27.3 per cent of revenue, are the government's second largest revenue source.

2001-02 General government sector budgeted expenses by major function (\$ million)



2008-09 General government sector budgeted expenses by major function (\$ million)



# GUIDE TO THE 2008-09 BUDGET PAPERS

## **1 Budget Overview 2008-09**

The Budget Overview provides a summary of the 2008-09 Budget. This document highlights the key features of the budget and provides an overview of budget initiatives.

## **2 Budget Speech**

The Treasurer's budget speech, as delivered by the Hon Kevin Foley MP in Parliament on 5 June 2008.

## **3 Budget Statement**

The Budget Statement presents budget and financial information for the South Australian Government. It includes an analysis of the government's fiscal strategy, budget expenditure and revenue initiatives, budget priorities, intergovernmental finances, the management of the government's assets and liabilities and matters associated with the state's economy. The Budget Statement also includes the budget and forward estimates presented in accordance with the *Uniform Presentation Framework*.

## **4 Portfolio Statements**

Portfolio Statements present detailed information on each of the government's portfolios. They include information on the revenue, expenses and performance of each portfolio as well as information on specific government agencies.

## **5 Capital Investment Statement**

The Capital Investment Statement summarises the government's total capital investment program. It includes information on capital investment by portfolio, with details of planned and current investment projects.

## **6 Regional Statement**

The Regional Statement provides an overview of new programs and services that will impact specifically on regional areas.



**Government  
of South Australia**