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BUDGET SPEECH

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Presented by the Honourable Kevin Foley MP
Deputy Premier and Treasurer of South Australia
on the Occasion of the Budget for 2008–09



Government
of South Australia

BUDGET SPEECH 2008-09

DELIVERED ON 5 JUNE 2008, ON THE SECOND READING OF THE APPROPRIATION BILL 2008, BY THE HONOURABLE KEVIN FOLEY MP, TREASURER OF SOUTH AUSTRALIA

Mr Speaker, South Australia is poised for an historic era of growth and development, and this Budget provides the framework on which that prosperity will be built.

This Budget delivers action now for our state's future.

It provides for infrastructure and services needed to meet our future challenges.

And it outlines a commitment to retaining our quality of life through projects and planning that foster continued business and population growth.

It's the seventh Budget of this Labor Government, and the seventh in surplus.

This Budget builds on and continues the work of our previous Budgets in preparing South Australia to meet the challenges and opportunities that lie ahead.

This Budget outlines a significant transport investment program. This program will change the way people travel, redefine our city's public transport network over the next decade and help South Australia increase its public transport weekday travel to meet its Strategic Plan target of 10 per cent by 2018.

It is a program that is worth nearly \$2 billion over the next decade and will deliver:

- the electrification of our major rail lines;
- a tram extension from the city to the Entertainment Centre;
- further extensions to West Lakes, Port Adelaide and Semaphore; and
- new rail and light rail vehicles, extra buses and a new ticketing system.

It's the biggest investment in public transport in the state's history.

But Mr Speaker, this Budget isn't just about transport.

There is record funding for our health, education and criminal justice systems. There is substantial investment to secure our water supplies, for our most vulnerable members of society and to help business and industry prosper.

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

And yes – there is further tax relief and assistance for first homebuyers.

These measures further strengthen our economy and strengthen our community.

Mr Speaker, the hallmark of the Rann Labor Government has been strong financial management – so much so that in relation to the economy we are now the party of choice.

Why? Because we have invested in vital infrastructure and services, continued to deliver Budget surpluses and maintained our hard won triple A credit rating.

Mr Speaker, this Budget continues our tradition of Budget surpluses.

It delivers a net operating surplus of:

- \$160 million in 2008-09;
- \$356 million in 2009-10;
- \$434 million in 2010-11; and
- \$424 million in 2011-12.

And in the current year we're estimating a surplus of \$373 million.

Large net operating surpluses allow significant infrastructure investment in schools, hospitals, prisons, water security and the public transport system.

Large surpluses allow us to meet future pressures particularly in this uncertain time in the national and international economy.

This record level of investment results in a prudent increase to our net debt level. In this Budget, net debt is projected to increase from \$82 million at 30 June 2008 to \$1.983 billion at 30 June 2012.

Net financial liabilities to revenue ratio is projected to increase from 67.9 at 30 June 2008 to 75.8 at 30 June 2012.

Mr Speaker, the increase in our liabilities is manageable because of the government's commitment to strong surpluses.

Mr Speaker, this is a Budget that is about taking action now for South Australia's economic future.

South Australia's economy continues to be strong despite rising interest rates and the adverse effects of the ongoing drought on our farm sector.

GSP is forecast to grow at 2¾ per cent and employment forecast to grow by 1½ per cent in 2008-09.

Employment growth has been strong at an estimated 2¼ per cent in 2007-08.

South Australia's population is growing at its fastest pace in a quarter of a century.

Household consumption spending grew by 3.2 per cent in real terms during 2007.

Business investment remains near historically high levels - 71 per cent higher than in 2001.

Mineral exploration expenditure was up 78 per cent during 2007.

The housing construction sector was up by 6.6 per cent.

And South Australia's unemployment rate remains at historically low levels with the labour force participation at its highest level since the early 1990s.

Mr Speaker, it is in this economic context that the government provides further tax relief to encourage future investment in our state.

It delivers further payroll tax relief and provides additional assistance for first homebuyers.

This Budget brings the total of this government's tax relief since coming to office to nearly \$3 billion by 2011-12.

In last year's Budget the government announced that the payroll tax rate would be reduced in two stages from 5.5 per cent to 5.25 per cent from 1 July 2007 and then to 5 per cent from 1 July 2008.

Last year the government also announced measures to harmonise payroll tax arrangements with other states and territories. This provides consistency for business working across borders and cuts red tape.

Today the government is announcing further payroll tax relief.

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 further reduced from 5 per cent to 4.95 per cent from 1 July 2009.

Mr Speaker, from 1 July 2009, when all of these measures are implemented, the government will be delivering annual payroll tax relief of \$136 million - nearly \$600 million of relief over five years.

These payroll tax reforms will also mean that from 1 July 2009 South Australia will have a more competitive regime than Victoria.

These reforms continue to provide a further stimulus for employers and business investment.

Over 6500 businesses employing 380 000 South Australians will benefit from lower payroll tax rates and 300 businesses will be exempt from payroll tax once the threshold is increased to \$600 000.

Mr Speaker, young South Australians deserve the Australian dream of owning their own property.

In many other parts of Australia it has been increasingly difficult for young people to get on the property ladder. We want to help our young people invest in our state and stay in our state.

The current first homebuyer stamp duty concession scheme phases out at a purchase price of \$250 000.

It will be replaced with a first home bonus grant of \$4000, which will be available for first home purchases valued up to \$400 000.

It will then phase out for first home purchases valued between \$400 000 and \$450 000.

The bonus grant delivers \$130 million of assistance to first homebuyers over four years, and will be available for first home purchase contracts entered into from today.

The \$4000 bonus grant will be additional to the existing \$7000 First Home Owner Grant and more than 9000 first home buyers are expected to receive the full grant in 2008-09.

Around 95 per cent of all first homebuyers are estimated to receive grant assistance in 2008-09.

That is almost double the number that would have benefited from the stamp duty concession in 2008-09.

Mr Speaker, this Budget is about action now for the future of our public transport system.

It begins a decade-long \$2 billion investment in public transport.

This Budget alone provides \$648.4 million over the next four years for rail and light rail investment including:

- \$162.0 million to extend the tram line from North Terrace to the Adelaide Entertainment Centre and to purchase new light rail vehicles with the first trams making that journey in 2010;
- \$83.0 million to commence the electrification of the existing Outer Harbor line;
- \$209.7 million for the electrification of the Noarlunga line;
- \$116.0 million for re-sleepering the Gawler line;
- a further \$14.0 million for additional trams to meet current demand pressures on the service;
- \$29.0 million for a new public transport ticketing system; and
- \$40.2 million to upgrade ageing rail infrastructure and equipment.

In addition, the Budget provides \$64.4 million to acquire and operate 80 extra buses over the next four years – providing an additional nine million passenger journeys over the next four years - alongside a program to replace 130 buses in the existing fleet.

Mr Speaker, this is only the beginning.

Future Budgets will provide for the extension of the tram line to a refurbished AAMI stadium at West Lakes, to Port Adelaide and Semaphore.

Over the next decade the Gawler line will be electrified and 50 new trains, 58 refurbished and electrified trains, 15 new tram/trains and additional light rail vehicles will be delivered to service our rebuilt tram and rail transport system.

Mr Speaker, our record investment on roads continues with:

- \$377.9 million for the design, construction and maintenance of road infrastructure on the state's AusLink transport network;
- \$51.4 million for road/rail safety initiatives, including road shoulder sealing, level crossing upgrades, removal of rural road hazards, drug driver testing equipment and additional speed cameras; and
- \$24.9 million to upgrade two major road intersections - South Road/Victor Harbor Road and Diagonal Road/Morphett Road.

Mr Speaker, this government is taking action now to guarantee the future of our health system.

We are reforming the system and modernising our hospitals. The operating budget for health units in 2008-09 is 69 per cent more than was spent in 2001-02, the last year of the former Liberal Government.

The Budget commits \$462 million over the next four years for health initiatives.

This extra funding allows us to treat more patients and to employ more doctors and nurses. Between June 2002 and June 2007 we have employed an extra 2406 nurses and 699 doctors for our health system.

Among the new measures are:

- an extra \$357.1 million to provide more services in hospitals and continue the work of rebuilding the state's hospital system - as a result our health care system will treat an extra 50 000 South Australians over the next four years;
- an extra \$26.6 million in funding for the South Australian Ambulance Service, for 96 000 additional services over the next four years; and
- Berri Hospital will be rebuilt and Whyalla Hospital will be significantly redeveloped through a \$56 million program as part of South Australia's Country Health Care Plan.

There will be continuing investment in rebuilding South Australia's hospitals through the 2008-09 Budget including:

- \$95.8 million to continue redevelopments underway at Flinders Medical Centre, the Queen Elizabeth Hospital and Lyell McEwin Hospital's stage B project;
- \$16.2 million for Lyell McEwin Hospital's \$202 million stage C of its redevelopment;
- \$25.6 million to replace and upgrade medical equipment, including \$2.6 million to replace two country mobile vans for BreastScreen SA, installing in them state-of-the-art digital mammography technology; and
- \$2.7 million of the \$36 million redevelopment of the Ceduna Hospital, including upgrades of diagnostic, treatment and primary health facilities.

Mr Speaker, the Rann Labor Government is taking action now for the future of our education system.

This year we will increase our investment on each student to \$11 568 – an increase of 52 per cent on the \$7598 per student that was being spent when we came to office.

We will also invest over \$70 million this year to provide modern new school buildings in schools across the state. This funding includes ten new school upgrade projects worth a total of almost \$35 million.

We will also spend \$10.5 million over four years to continue three successful programs under the Social Inclusion Board's School Retention Action Plan including \$5.0 million for the continuation of four Innovative Community Action Networks.

There is also within this Budget, a provision for a wage increase, currently under negotiation with the unions, for approximately 18 000 full-time equivalent public education staff.

The government's offer is worth \$306 million over the three-year life of the agreement.

Mr Speaker, the Rann Labor Government also takes action to give the most vulnerable members of our society a future.

In line with the *Keeping Them Safe – In Our Care* strategy, the government is continuing to care for children in need.

The Budget provides \$190.6 million to meet the needs of children in care and to provide additional support to carers and families.

This includes a range of targeted new initiatives to provide frontline assistance, directly to those families and carers who need support:

- \$15.0 million for early intervention case management and home visiting services to stabilise and support children in their families;
- \$13.2 million for increased capacity for specialised placement support and intensive family preservation and reunification services;
- \$8.3 million for additional services to support carers;
- \$7.3 million for increased support to non-government organisations responsible for carer recruitment; and
- \$4.6 million for increased subsidies to attract and retain carers.

This Budget also contains measures to assist the disabled including:

- \$26.6 million over four years for ongoing support to supported residential facilities;
- \$9.3 million over four years on improving disability access to public transport;
- \$5.0 million in 2007-08 for additional disability equipment;
- \$2.0 million to Novita Children’s Services for a hydrotherapy pool at Regency Park; and
- \$1.5 million in additional resources for the Strathmont Centre redevelopment.

To help the homeless we will provide:

- \$4.0 million to assist the Foyer Plus project to provide accommodation at Port Adelaide; and
- \$2.8 million to assist Common Ground in establishing a facility for homeless people in Port Augusta.

Mr Speaker, this government has never shied away from taking a tough stance on law and order to improve the safety of our communities.

As a result recorded crime, according to South Australia Police statistics, has fallen by more than 18 per cent since we came to office and more offenders are being sent to jail and being sent to jail for longer.

This success in itself creates pressure on the criminal justice system.

Therefore, the Budget builds capacity in the criminal justice system to address these pressures and to improve the efficient delivery of services.

Our police are on the frontline - protecting our community.

Funding for police operations suffered years of neglect under the Liberals. Under this government, South Australia Police has never been better funded or staffed.

Record funding will continue this year with a further 11 per cent increase in their operational budget to nearly \$630 million – that's 62 per cent more than in 2002-03.

We will also provide more than \$38 million to relocate SAPOL headquarters to a new state-of-the art premises in the city.

The Budget also provides a further \$5.7 million to install new CCTV in police stations to enhance the management of prisoners held in cells.

There will also be:

- \$5.2 million to SAPOL for a new IT system to police outlaw motorcycle gangs; and
- \$1.2 million to replace Live-scan fingerprint scanning equipment.

Our broader criminal justice system will also benefit through a decision to refurbish and re-open the former Sturt Street court facility, providing two additional courtrooms in the District Court - \$18.9 million will be provided over four years for this initiative, funding three additional judges and associated operational services.

Over the next four years we will also provide:

- \$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 – as a result the number of staff in the office will have more than doubled since we came to office; and
- \$8.3 million for legal aid services.

Of course we have to keep convicted offenders off the street so over the next four years there will be:

- \$35.9 million extra to accommodate the growth in prisoner numbers; and
- \$2.7 million to assist in meeting the growth in probation orders.

The Rann Government is locking up more prisoners, with prisoner numbers increasing from 1479 at July 2002 to 1934 in April 2008.

Mr Speaker, we also acknowledge that we have to act to prevent some of our young people becoming statistics of the criminal justice system in the first place.

Therefore, we will fund a range of initiatives that have emerged as a result of Monsignor David Cappo's report on youth repeat offending - *To Break the Cycle*.

These include:

- \$5.6 million over four years for a community protection panel that will provide intensive monitoring and intervention for serious repeat offenders;
- \$4.0 million over four years for youth justice teams to provide case management, programs and services to young offenders; and

- \$1.0 million over four years for the Tirkandi school retention program for Aboriginal youth attending Warriappendi School.

Mr Speaker, the 2008-09 Budget provides support for the future economic development of South Australia.

In particular, we will further assist our growing defence industry by providing:

- \$7.8 million to undertake site preparation works for 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.

On the mining front, the South Australian minerals sector continues to boom.

In 2004 there were five major mines operating in South Australia. That has now doubled and there are a further 27 currently in an advanced stage of assessment and approval.

We are aware that we need to keep ahead of the demand so we are taking action now to encourage further exploration and investment.

Therefore, the government will commit an additional \$11 million over four years to strengthen the ability of Minerals and Energy Resources Division of PIRSA to manage the flood of new mines seeking assessment and approval.

A further \$3.1 million has already been allocated to the division's Petroleum and Geothermal Group to help speed up the assessment process for applications for geothermal exploration leases.

We will also invest \$7.9 million to improve South Australia's planning and development system – there will be further detail on this when the state's Planning Review is released by the government in the near future.

We also recognise that in an economy of record levels of employment, we need to bring in skilled migrants to South Australia.

Therefore, we will commit a further \$5.3 million over the next four years to continue and expand the government's program of attracting and retaining skilled migrants.

Mr Speaker, South Australia is a wonderful place to live and a wonderful place to visit and this government continues to support our tourism industry.

It is an industry that currently generates \$4.2 billion of expenditure in South Australia.

Specific measures in this Budget include a once-off capital grant of \$18.9 million to help the Adelaide Zoo undergo a transformation of animal and visitor facilities.

The Adelaide Zoo has nearly 400 000 visitors every year, it is about to become the only zoo in the Southern Hemisphere to host giant pandas Wang Wang and Funi under an important conservation breeding program.

This money will help our Zoo to grow, modernise and generate extra income to care for the animals.

I am advised that the fenestration of the fairy penguin enclosure is of particular significance.

For those unfamiliar with the concept, it means pedestrians will be able to view the fairy penguins from outside the zoo.

The Tour Down Under has been a hugely successful event for South Australia.

This is a very important event on the international cycling calendar and an event that this year attracted well in excess of 500 000 spectators.

Therefore, we will provide a further \$14.6 million over the next four years to ensure the status of the event as part of the UCI's ProTour circuit and to ensure that it stays in South Australia.

Mr Speaker, this is not only the day in which the Rann Labor Government hands down its seventh Budget but it is also World Environment Day.

I am conscious that throughout this Budget there are many measures that underline the leading role this government is playing in taking action now for a sustainable future.

Specifically, there are a series of other measures that further acknowledge our commitment to sustainability:

- \$7.7 million over two years from 2010-11 for the purchase of green power and carbon offsets by government;
- \$8.0 million in 2007-08 to the Royal Agricultural and Horticultural Society to install solar panels on the new Goyder Pavilion at the Wayville showgrounds; and
- \$2.4 million over four years to support improved energy and water efficiency and reduce waste in private sector buildings.

Mr Speaker, the Rann Government is taking action now to deliver water security for the future.

The government is pleased to have settled the national agreement on a plan to manage the River Murray. This provides a strategic direction and will deliver improved outcomes for the River Murray.

In 2008-09 we will spend the first \$97 million of our commitment to build the 50 gigalitre desalination plant at Port Stanvac. This investment will allow the necessary planning and groundwork to be completed for construction of the plant to begin in 2009-10.

We will also spend \$80 million in 2008-09 on upgrades and expansion to wastewater treatment plants and water recycling infrastructure. This investment will continue over the next four years, with \$426 million worth of projects to be completed. The upgrades will increase the percentage of wastewater reused in South Australia to nearly 45 per cent.

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

The state government will continue its successful rebates package of \$24 million over three years to encourage greater household water efficiency inside and outside the home.

Mr Speaker, Labor Governments in South Australia have a long association with the Arts which is why we are taking action now for the future of the Arts in South Australia.

We will spend \$43 million to construct a Film and Screen Hub within the Glenside Cultural Precinct.

This initiative represents a major investment in the future of the South Australian film industry and provides economic and cultural growth opportunities for the state.

Other Arts measures include:

- \$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 additional support for 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 for the Adelaide Symphony Orchestra, including a \$400 000 contribution to the construction of a new acoustic sound shell; and
- \$1.5 million over four years to support the State Opera and State Theatre, our major performing arts companies.

Mr Speaker, South Australia has a proud sporting history and we recognise the important role that sport plays in our daily lives which is why this Budget provides significant grant funding for sporting bodies, including:

- \$100 million over three years, commencing in 2009-10 to assist with the substantial upgrading of AAMI stadium – the only stadium solution supported by the SANFL, the AFL and our two AFL clubs;
- additionally, we will provide \$2.5 million each to the Adelaide Football Club and the Port Adelaide Football Club for the clubs’ sporting and community facilities;
- \$1.5 million in 2008-09 for a permanent replay screen at Hindmarsh Stadium;
- \$6.0 million towards redeveloping the Gawler racetrack; and
- \$5.0 million to the SAJC to create a second track at Allan Scott Park.

Mr Speaker, in this Budget the Rann Government will invest in measures now to secure the future of our emergency services.

The Budget provides significant additional resources of \$19.6 million over four years to the CFS to address the findings of the Wangary bushfires coronial inquest including:

- \$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; and
- \$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.

Mr Speaker, this Budget is delivered in a new and welcome era of cooperation between state and federal governments.

However, it is important to also note that because of this new relationship a number of other measures will emerge as the result of negotiations with the Commonwealth through the COAG process.

Therefore, we will be making further announcements once this process is complete on investments in GP Super Clinics, providing additional support for transition care, dental services, mental health initiatives and indigenous children as well as additional skills training places for South Australia.

State and Federal Labor Governments are also acting together to reform specific purpose payment arrangements to focus on efficient and effective service delivery.

This reform includes revisions to the way payments are to be made to the states.

The revised process will commence from 1 January 2009 and I foreshadow that to enable implementation of these changes I will be bringing forward a supplementary appropriation bill before the end of 2008.

Mr Speaker, today I am handing down a Budget with a significant investment in infrastructure and services that will prepare South Australia for the future.

This is a responsible, prudent Budget and as such we have identified a savings strategy that will:

- support the underlying strength in the Budget forward estimates for infrastructure expenditure; and
- maintain a focus on reducing administrative costs and ensuring administrative and service delivery efficiency.

The savings have been clearly and transparently allocated to agencies in the Budget papers and will deliver:

- \$25 million in 2009-10;
- \$75 million in 2010-11; and
- \$150 million in 2011-12.

Details of the specific measures that will achieve the first target of \$25 million in 2009-10 will be presented in the 2009-10 Budget.

Mr Speaker, with this Budget I again underline that this government is taking action now for the future.

The legacy of the Rann Labor Government will be the rebuilding of the state's infrastructure.

This Budget - previous Budgets - and future Budgets will:

- rebuild the state's health system including a new \$1.7 billion central hospital and redevelopments of our other major metropolitan and regional hospitals;
- rebuild our state's schools through the Education Works strategy, including six new Super Schools for Adelaide;

- secure our water supplies through measures including a new desalination plant for Adelaide;
- build new men’s and women’s prisons at Mobilong, youth training, pre-release and forensic mental health facilities;
- invest in an ambitious new roads program that includes the Northern and Port River expressways and the South Road upgrade; and
- as I outlined earlier - rebuild our public transport infrastructure with a decade-long \$2 billion program that will:
 - electrify our major rail lines;
 - extend our tram system through to West Lakes, Port Adelaide and Semaphore;
 - purchase dozens of new trains and light rail vehicles;
 - provide an additional 80 new buses; and
 - a new state-of-the-art ticketing system.

Mr Speaker, the Rann Labor Government will do all of this while maintaining strong surpluses, prudent economic management and our triple A credit rating.

I would like to thank the outstanding work of my Ministerial colleagues, their Chief Executives and their staff in assisting in the preparation 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 2008

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 2008. 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 Schedule 1 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**