

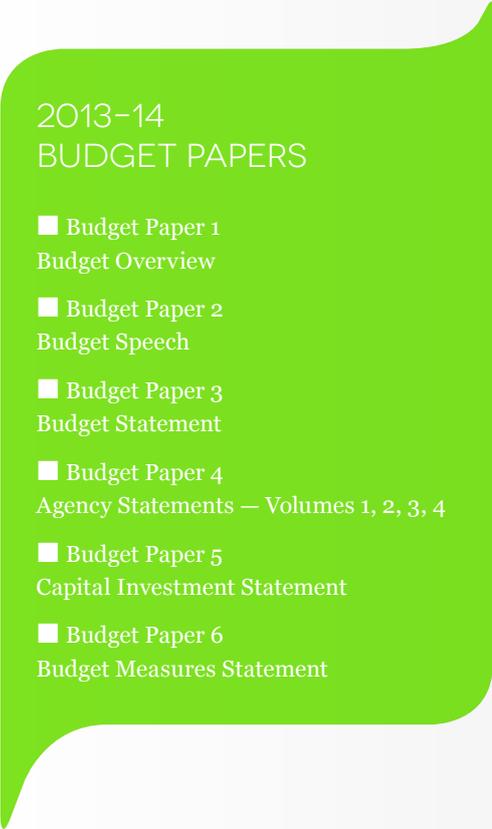


STRONG GOVERNMENT
STRONG BUSINESS
STRONG COMMUNITY

2013-14 BUDGET PAPER 2 • BUDGET SPEECH



**Government of
South Australia**



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Budget Speech 2013–14

*Delivered on 6 June 2013, on the second reading of the Appropriation Bill 2013,
by the Honourable Jay Weatherill MP, Premier and Treasurer of South Australia.*

Mr Speaker,

It gives me great pleasure to deliver my first budget as Treasurer.

The state budget is more than a statement of public sector finances. It is an instrument through which a government can pursue its social and economic goals.

The decisions taken in this budget — and the decisions not taken — speak to our fundamental beliefs and values.

The choices we have made in this budget stem from our belief that government has a crucial role to play in helping industries to change and grow, in protecting and creating jobs, and in building a better quality of life for people.

We value the sense of purpose and self-respect that secure, well paid employment brings. That is why this government will continue to invest now, to ensure that our economy grows more strongly tomorrow.

We value the ingenuity and drive of our entrepreneurs, especially those young people trying to get a start. That is why measures that create opportunity for small businesses are a focus of this budget.

We value our high quality of life and believe we must protect it. That is why we are investing in affordable homes, in easing the pressure on families, and in supporting those most in need.

We believe that in a decent society, people receive the care they need, and have the opportunity to take control of their future. That is why we continue to invest in high quality services in education, in training, in health care and in disability.

This budget reflects these values.

Mr Speaker, throughout the history of this state, the South Australian economy has flourished when a strong government has partnered with the business sector and the community to create opportunity.

Whether under Sir Thomas Playford, whose government promoted industry development, or under Don Dunstan, when our creative industries were conceived and developed, or more recently in the development of the mining and defence sectors, much of what this state has achieved has been driven by strong governments.

In our state, governments must take a leadership role in supporting sectors of the economy that are adjusting to the pressures of great economic change, and must help drive opportunities in sectors with potential for significant growth.

Our government continues this South Australian tradition. The Economic Statement released earlier this year built on the state's seven priorities and identified four focus areas for our economy.

Today's budget continues this significant body of work.

Mr Speaker, this budget, as with each budget delivered since the onset of the global financial crisis, is handed down in challenging economic times.

The global economic outlook is mixed, with uncertainty dominating Europe, tentative growth in the United States, and more modest levels of growth in China than in previous years.

Within Australia, both business and households remain cautious with high levels of savings and restrained investment and consumption.

The persistently high Australian Dollar and strong competition from countries with lower production costs have continued to place pressure on the manufacturing sector.

This is reflected in the performance of the South Australian economy.

Households and business remain cautious, holding back spending decisions, and hence, activity.

The housing sector has been subdued, with low levels of dwelling commencements. The retail sector has also been soft.

But South Australians have been resilient in the face of these challenges, with more new jobs being created than those lost — 10 600 in the last 12 months.

And recent data shows that both our housing and retail sectors appear to have turned the corner.

Our long-term outlook is strong. The Economic Statement released in March was built on independent economic modelling that shows that we will achieve growth under any of the modelled economic scenarios.

Mr Speaker, in recent years, we have faced significantly declining tax and GST revenues.

Again this year, the budget is delivered in a context of downward revisions to GST and taxation revenue estimates. In particular the Commonwealth Government has further written down its forecast of the total GST pool since the mid-year budget review.

In the context of lower revenue projections, and the need to continue supporting economic activity and service delivery, this budget estimates an operating deficit of \$911 million in 2013–14, a deficit \$43 million higher than was anticipated at the mid-year budget review.

However, this estimate includes a change in accounting standards which requires an increase in nominal superannuation expenses.

This accounting change, which does not involve any actual increase in expenditure and does not affect our debt, nominally increases superannuation expenses by between \$163 million and \$182 million a year over the forward estimates.

Without this change in accounting treatment, the 2013–14 net operating position would be a deficit of \$748 million, an improvement against the estimate in the mid-year budget review of \$120 million.

As was forecast in last year’s budget, we are on track to return to surplus in 2015–16, with a surplus of \$375 million, strengthening to \$661 million in 2016–17.

Without the change in accounting treatment, these would be surpluses of \$551 million and \$843 million, again substantial improvements on the position at mid-year budget review.

And government debt is expected to fall to \$8.8 billion by 2016–17, an improvement of over \$450 million against the forecast in the mid-year review — and a moderate 7.6 per cent of gross state product.

So this budget delivers a significant strengthening of the budgetary position by the end of the forward estimates in comparison to the position at the mid-year budget review.

As the economic conditions improve, we will pay down debt, just as we did in the years that preceded the global financial crisis.

Mr Speaker, it is true there are decisions we have not taken that would lead us to surplus quicker.

But we have chosen not to sell our remaining significant government assets.

We have chosen not to abandon our program of infrastructure spending.

We have chosen not to cut deeper into the important services which support or protect the community.

Mr Speaker, this budget also describes the steps we have taken to ensure the long-term sustainability of our budget.

In 2011, we secured an agreement with the Commonwealth Government to share more of the cost burden of providing quality health services.

We have recently reached agreement for DisabilityCare, under which the Commonwealth will partner with us in properly supporting people living with significant disabilities. We have reached agreement to relieve state housing payment obligations and so reduce the pressures on our social housing provision.

We are also continuing to negotiate arrangements to ensure that the Commonwealth Government partners with us in the funding of the whole of school education in this state.

Together, these agreements will have a positive effect on our budgetary situation for many years to come.

Mr Speaker, as a result of our agreement with the Commonwealth Government to relieve state housing payment obligations, this budget provides further stimulus to the housing construction sector which builds on the significant investments this government has previously made to support jobs and economic activity.

Last October, our government introduced the Housing Construction Grant — a grant of up to \$8500 available to all home buyers who are purchasing or building a new home up to a market value of \$450 000.

The positive impact of this grant is growing, over 1100 South Australians having received this grant in the seven months since it commenced.

This budget extends the Housing Construction Grant for a further six months, at a cost of \$38.7 million. It will now apply to all eligible new home purchase contracts entered into until 31 December 2013.

But we also need a more direct stimulus for the housing construction sector.

That is why we are providing a new affordable housing stimulus program.

This budget is investing \$50 million in the program which, together with our existing direct housing investments, means that the industry will benefit from an injection of \$220 million, or 936 homes constructed, in the next 18 months. This will support more than 2400 jobs across the state.

Mr Speaker, this budget is also recognition that to create a dynamic, modern economy in South Australia, we need to do more than support our existing industries.

Twenty years ago I made the decision to start my own small business. Starting your own business isn't easy.

You only truly understand what it is like to build a small business from the ground up if you have done it yourself.

It is a difficult thing to negotiate with banks, to hire and manage staff, to establish a pipeline of work, and to pay employees and bills when yours aren't being paid.

I spent many nights working all night long, with all the worries and stresses all too familiar to small business owners.

That is why I wanted a small business package in this budget.

In preparing this package, I met with representatives of local banks on a number of occasions. We shared our ideas about what we could do collectively to support small business. So I am pleased that five banks have announced measures of their own to complement the measures I set out in today's budget.

Mr Speaker, this budget provides a temporary payroll tax rate cut for employers with taxable payrolls up to \$1.2 million.

A concessional tax rate of 2.5 per cent will apply to annual taxable payrolls of \$600 000 to \$1 million, which effectively halves the rate for these businesses.

The concession will phase out to the ordinary payroll tax rate of 4.95 per cent for annual taxable payrolls between \$1 million and \$1.2 million.

This concession will provide relief to payroll tax payers worth \$21.6 million over two years. These concessional rates will be available between 1 July 2013 and 30 June 2015 (inclusive), providing relief of up to \$9800 for a business.

This budget also includes a package of measures to provide targeted assistance to small business, including:

- \$2 million over four years to provide a full stamp duty exemption for corporate restructures, more in line with interstate exemptions
- \$1.6 million over four years for additional resources for the Small Business Commissioner to assist small businesses with dispute resolution, and to assist people to start, develop and grow their businesses
- \$440 000 over two years for the Government's Industry Participation Advocate to help small business win a greater share of government contracts.

Mr Speaker, Adelaide is consistently rated as one of the world's most liveable cities.

As we canvassed in the Economic Statement, there is an economic imperative in creating a vibrant city.

Developing a vibrant city will help us attract and retain the best and brightest in South Australia. Creating a more vibrant Adelaide encourages investment which translates into employment opportunities for South Australians.

And we have demonstrated that there is a role for government in the development of a vibrant city.

As well as directly investing in big projects to transform the city, we have provided stamp duty concessions for city apartments, removed planning restrictions stifling investment and growth, revitalised our laneways and encouraged the burgeoning network of small bars that has spread to Peel Street and beyond.

To foster our new entrepreneurs, our government is contributing \$1.4 million over the budget period to support two new hubs.

We will support the ongoing operation of the incubation hub in the West End of the city. This hub is co-sponsored by Microsoft and BankSA.

We will support a second hub that will assist emerging artists and creative industry members to develop and enhance their commercial and creative talents.

We have allocated \$1.5 million for the master planning and design of the site of the existing Royal Adelaide Hospital, to be vacated in 2016.

This budget also commits \$18.2 million over four years to ensure that our cultural institutions continue to reflect our position at the forefront of national arts and culture.

Mr Speaker, the mining boom may be slowing in the traditional mining states but South Australia is increasingly seen as the next mining and energy frontier.

This budget provides further funding so that we can fully realise the benefits of the mining boom for all South Australians.

We will establish the Mining and Petroleum Services Centre of Excellence to encourage innovation and applied research, at a cost of \$6 million.

The centre will link mining and energy producers, service industries and researchers to drive innovation in unlocking our resources potential.

The Plan for Accelerated Exploration program has firmly entrenched South Australia as an international mining leader. It has been instrumental in leveraging more than \$300 million in spending on mineral exploration in South Australia in 2012.

The budget expands the PACE program by a further \$4 million over the next two years, bringing total PACE funding to \$28 million over the budget period.

The budget also provides \$588 000 over two years for a joint initiative with South Australian Chamber of Mines and Energy (SACOME). This funding will assist Eyre Peninsula land holders and mining interests to better work together on the opportunities provided by exploration and mining.

Mr Speaker, our government is committed to the manufacturing sector remaining as a cornerstone of the state's economy.

We will use sophisticated processes to create products of great quality. We will compete with value-added products and services, not on lowest unit cost. We will compete with a higher skilled workforce.

In 2010, the government committed to providing 100 000 training places over a six-year period. We are on track to achieve this target early.

This budget provides a further \$27 million over two years to support increased demand in training.

Other initiatives to support and grow South Australia's manufacturing sector include:

- \$4.1 million for a High-Value Food Manufacturing Centre which will bring industry, government, universities and researchers together to focus on processes that add value to our produce
- \$3 million over three years for the Small Business Innovation Research Pilot program, which will help small business develop innovative products.

Mr Speaker, the South Australian food and wine industry is worth over \$14 billion and accounts for 36 per cent of South Australia's total merchandise exports.

Growing global demand for our premium food and wine products, presents a considerable opportunity for this industry.

The safety of our food, and the conditions in which it is produced, will be an increasingly important part of its value to the world.

To ensure we continue to protect our environment, this budget delivers \$5.9 million over four years to the Environment Protection Authority.

In addition, we will also provide:

- the High-Value Food Manufacturing Centre I mentioned earlier
- \$2.6 million over four years to establish innovation clusters in the Riverland/Murraylands and Limestone Coast regions.
- \$2.5 million over four years to promote our premium food and wine in key provincial markets of China.
- \$1 million over four years to boost fruit fly surveillance, border controls, monitoring and public education to reduce the incidence of fruit fly outbreaks in South Australia.

Mr Speaker, from the onset of the global financial crisis, the government has maintained a strong commitment to infrastructure investment.

The investment in key infrastructure has, and continues to deliver, significantly improved hospitals, schools, roads, water, entertainment, tourism, and leisure facilities for the state. These investments will benefit South Australians for generations.

Crucially, these investments have also supported up to 12 000 jobs each year in the economy, and have contributed up to 3 per cent per year of gross state product.

Mr Speaker, this budget continues this series of investments, with \$10.1 billion being spent across government over the next four years.

These projects will support 8700 jobs in 2013–14 alone.

This program includes works underway, but also includes the new project of the upgrade of South Road between the Torrens Road intersection and the River Torrens.

This \$896 million project is co-funded by the Commonwealth under the Nation Building program, and construction will commence in 2014–15.

The partnership with the Commonwealth also includes the construction of an electrical sub-station and the electrification of the Gawler rail line to Dry Creek at a cost of \$152.4 million, as the first step in re-starting the electrification of the line to Gawler.

The program also includes \$63 million for the duplication of part of the Tonsley rail line to provide for an increase in services, rebuilding the Clovelly Park and Tonsley railway stations, and providing a bus interchange at the intersection of South Road and Sturt Road to make Tonsley a public transport route for access to and from the city.

Mr Speaker, this budget provides over \$5 billion for health services across South Australia in 2013–14 and, over the last decade, we have seen the substantial redevelopment of every metropolitan hospital, and increases of almost 1200 doctors and 4000 nurses.

The most important measure of success is the results delivered by our investments. We have substantially reduced elective surgery waiting lists, and we lead the nation with the shortest emergency departments waiting times.

With our extra doctors and nurses, more than 92 000 additional patients a year get treated in our hospitals.

And we are delivering one of the largest most advanced tertiary care hospitals in Australia, in the new Royal Adelaide Hospital.

By any measure, Mr Speaker, a dramatic improvement in health care has been delivered under this government.

We are also assisting the South Australian Health and Medical Research Institute, contributing an additional \$9.1 million in operational support over the forward estimates, as well as funding for research units transferring to the SAHMRI.

The social and economic benefits of medical research are vast, as this institution will become a beacon for talented researchers from across the globe.

Mr Speaker, this government also values the sense of safety and peace we enjoy in our suburbs and towns.

A well-resourced police force is integral to creating a feeling of safety in our communities. We will not compromise on community safety.

Our government's police recruiting program has meant South Australia now has over 800 more officers than it did 10 years ago.

The police budget has doubled over this period. It is no coincidence that we have seen a reduction in reported crime of over 40 per cent over the corresponding period.

This budget delivers \$34.9 million over four years to ensure that SAPOL is able to meet the government's commitment to recruit 300 additional police officers, although over a longer period than was originally planned.

Mr Speaker, there has been a longstanding need for improvement in our state's court facilities. We will provide \$2.0 million in 2013–14, in addition to significant funding held centrally, to facilitate the construction of new Supreme and District Court facilities, in partnership with the private sector.

In addition, the government is also providing \$6.4 million for a new South Australian Civil and Administrative Tribunal, a single, easy to access body for the review of administrative and similar decisions.

These initiatives are expected to significantly increase access to justice and speed up the resolution of matters before the courts.

Mr Speaker, anyone who has witnessed a serious motor vehicle accident, lost a loved one, or known someone who has been seriously injured in a crash would understand why our government is committed to investing in safer roads.

The Motor Accident Commission, after unexpectedly strong investment performances this year, will make a contribution of \$100 million to a dedicated fund to be used for future road improvements and road safety initiatives.

The first projects that will be addressed through the fund include:

- Reconfiguration of the Britannia Roundabout to make it more efficient, easier to navigate, and safer.
- Upgrade of the North East Road and Sudholz Road intersection.
- Upgrade of the Magill Road and Glynburn Road intersection.
- Installation of traffic signals at the intersection of Golden Grove and Grenfell Road (east), Surrey Downs.
- Installation of 10 additional safety cameras at locations with a history of crashes or speeding infringements.
- The state contribution to the \$106 million upgrade of the main access road into the APY Lands.
- The state contribution to the \$24.9 million improvement to the South Eastern Freeway

An advisory group that will include the Motor Accident Commission and community and road safety industry representatives will be established to provide advice on further road safety projects to be funded from this money.

Mr Speaker, this government values every child and we are committed to ensuring that the unique talents of every child are nurtured.

This budget provides \$3.2 billion for education in 2013–14, over double the funding from when we first came to government.

Over that time, we have substantially increased our spend per student, decreased class sizes, recruited more teachers, and delivered new schools.

We know that a good education starts even before a child walks through the school gate. So we have reached an agreement with the Commonwealth for Universal Access, to provide \$44.1 million over three years to ensure that all four year old children have access to 15 hours per week of preschool, the year before they attend school.

This budget also funds an \$8.5 million children's centre at Blakeview North to expand on our network of 38 children's centres.

And \$2.8 million over three years will be provided to The Australian Centre for Social Innovation's ground-breaking Family by Family Program, for families and children.

It will reduce the number of children who are separated from their families.

To protect our most vulnerable children, \$27.2 million is provided in the budget over four years to support the increasing number of children requiring care.

Mr Speaker, we value our high quality of life and we want to protect it.

Maintaining quality public services like health, education, family support and housing are critical to our standard of living.

We need to ease pressures on families to ensure they can enjoy in that quality of life.

For this reason, our government has reformed the Compulsory Third Party (CTP) insurance scheme, which will see premiums drop by a total of \$148 over the next two years.

This has come at a cost of over \$41 million to the budget in reduced stamp duty revenue.

We also secured a two-year agreement with AGL that cut residential electricity prices by an average \$180 per year.

And we have moved to reduce water prices and ensure that water and sewerage bill increases will be limited to inflation over the next three years.

This has come at a cost of nearly \$80 million to the budget.

In addition, the budget provides \$21.1 million over four years to increase the water concession for low income earners and pensioners to 30 per cent of the eligible customer's water bill, and increase the minimum and maximum water concession by \$30 per annum, from 1 July 2013.

And we will also provide \$5.9 million over four years to community-based organisations counselling, advising and representing people in financial difficulty.

Mr Speaker, we value the dignity of the individual and the rights of all people to express themselves.

For too long people with disabilities had not been fully included in our society.

But that is now changing.

In the words of Shannon, a young woman living in Minda supported accommodation I met just last week, "too many people with disabilities are sad it's now our turn to be happy".

South Australia was the first jurisdiction in the nation to agree to launch DisabilityCare. This budget sets out South Australia's full funding commitment to DisabilityCare. By 2018–19 South Australia will invest \$723 million which will be matched by an equivalent Commonwealth contribution to provide people with disabilities the support they need.

But we are not waiting until then.

The budget also allocates \$107.8 million over five years (including \$10.3 million in 2012–13) to provide for the immediate needs of people with disabilities, including additional equipment and the provision of much-needed supported accommodation.

Mr Speaker, another group of South Australians who have also not been fully included in our community are the residents of the APY Lands.

This budget provides a package of measures totalling \$63.2 million to improve the health and wellbeing of the residents of APY Lands, which includes the upgrade of the road between the Stuart Highway and Pukatja, provision for the therapeutic needs of children, and improvements to the management of waste landfill.

More broadly, the budget provides \$32 million over three years to continue the investment, with the Commonwealth, in Closing the Gap in Indigenous health outcomes.

Mr Speaker, we have been able to find room for these investments while improving the budget outcomes, by making some prudent savings. But we have resisted the calls by some for additional large public sector job cuts.

The 1 per cent efficiency dividend has been extended into 2016–17, providing a benefit of \$58.5 million in that year, and some agency annual capital program budgets have been reduced by 10 per cent per annum, delivering a saving of \$52 million over four years.

Savings currently scheduled in some agencies to commence in 2015–16 will now be implemented in 2014–15. This provides a one-off benefit of \$43.7million in 2014–15.

Public sector staff taking a separation package from 1 July 2014 will have their payments reduced from a maximum of 116 weeks, to a maximum of 52 weeks. This delivers a saving of \$37.9 million over the forward estimates.

Mr Speaker, together we have created one of the most liveable places in the world — a civilised, peaceful community committed to equality. This community has also enjoyed 20 years of uninterrupted economic growth.

None of this has come easily — we enjoy few of the natural advantages of other states. Our climate is harsh, our regions are sparsely populated, and the delivery of services and utilities are expensive.

But with creativity and hard work we have always prevailed. This has been achieved through partnerships — between strong governments, strong business, backed by a strong community.

The budget that I have released today continues this tradition. It provides targeted funding to support and grow our economy, while ensuring we meet our imperatives for a safe, healthy, just, inclusive and vibrant community.

It does this in the midst of challenging economic circumstances, while improving the budget position over the forward estimates.

It is, Mr Speaker, a budget that is both progressive and responsible.

I commend this budget to the House.

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