

BUDGET SPEECH 2006-07

DELIVERED ON 21 SEPTEMBER 2006, ON THE SECOND READING OF THE APPROPRIATION BILL 2006, BY THE HONOURABLE KEVIN FOLEY MP, TREASURER OF SOUTH AUSTRALIA

Mr Speaker, today's Budget lays the foundation for South Australia's future.

The Budget builds on the economic stability and social wealth enjoyed in our State, and it provides capacity for future growth.

This Budget will keep South Australia moving forward.

It is a Budget that strengthens the Rann Labor Government's:

- commitment to strong financial management;
- commitment to strengthening law and order;
- commitment to building better schools;
- commitment to providing a better public health system; and
- commitment to addressing the shortage and retention of skills in South Australia.

These commitments provide the basis for better communities, a more vibrant state and a strong economy.

And Mr Speaker, this Budget delivers on the biggest commitment of all — every single election promise made by the Rann Labor Government during the 2006 election campaign has been delivered.

The Budget — the fifth for the Rann Labor Government — is again based on good economic and financial management.

Continued sound practices have maintained the State's internationally enviable Triple-A credit rating.

Again, we are delivering a Budget that is in surplus.

The Rann Labor Government has delivered four Budgets in its first term in surplus.

This Budget outlines surpluses across the forward estimates.

The Budget will deliver a net operating surplus of:

- \$91 million in 2006-07;
- \$162 million in 2007-08;
- \$188 million in 2008-09; and
- \$208 million in 2009-10.

The Budget also has modest net lending deficits, reflecting the Government's ongoing commitment to capital investment.

However, in line with good financial management, the ratio of net financial liabilities to revenue will continue to decline.

This demonstrates the basis for maintaining our Triple-A credit rating.

This demonstrates good economic management and has enabled us to deliver every single election promise.

In addition, it delivers some \$640 million to the health sector.

The Rann Labor Government will also deliver six new schools, in partnership with the private sector, as part of a bold \$216 million, school infrastructure plan for education.

This will include developing a new South Australian Certificate of Education to better prepare our students for the changing workforce of the future.

Mr Speaker, this Budget will also deliver the State's largest-ever infrastructure investment.

Coupled with the Budget this year — is bold reform of the way government conducts business.

This reform will deliver efficiencies and increased output across each Government agency.

It will see a shift in support to our frontline services that are of greatest need to the community — health, education and law and order.

The South Australian economy remains strong.

This is evidenced by continued strong growth in housing construction and business investment.

KPMG's 2006 survey of 95 overseas and four Australian cities rated Adelaide in the top three most cost-competitive cities in the world in which to conduct business.

Adelaide outperformed Brisbane, Melbourne and Sydney.

Business investment in new assets grew by 4 per cent in real terms in 2005-06.

Growth in the mining industry continues to move from strength to strength.

Access Economics reported in its June quarter Investment Monitor that the value of projects "committed" or "under construction" in South Australia increased by 9.3 per cent in the June quarter of 2006.

The outlook for South Australia is also good over the medium term with the \$6 billion Air Warfare Destroyer contract; in excess of \$5 billion for the proposed BHP Billiton Olympic Dam expansion; and the \$775 million investment in the Prominent Hill mine.

Employment growth has again been a significant achievement, growing at 1.7 per cent in 2005-06.

South Australia's unemployment rate averaged 5 per cent in 2005-06; down from 5.5 per cent in 2004-05. In August this year it was 4.8 per cent.

South Australia's unemployment rate in 2005-06 was below the national average. This has not been achieved for more than three decades.

The South Australian Strategic Plan target of having the unemployment rate equal to or better than the Australian average has been achieved.

Mr Speaker, South Australia's population grew by almost 10 000 people in 2005. That is the highest level of population growth since the early 1990s.

Adelaide is increasingly a place for migrants to call home. Net overseas migration grew by 57 per cent in 2005, adding 7755 South Australians.

Last year we announced unprecedented tax cuts for families and business.

The Government is delivering on its previous commitments to reduce personal and business taxes.

Over the next five years a further \$296 million of taxes will be cut taking the total amount of tax relief since coming into office to over \$1.57 billion by 2010-11.

Continued improvement of South Australia's health system remains a priority for this Government.

Health system funding will exceed \$3 billion in 2006-07.

This Budget provides a substantial increase in health funding.

\$640 million will be injected into the State's hospitals and health services over the next four years.

\$400 million will be provided for extra health services — enough for more than 100 000 additional patient admissions over four years.

Increased capacity for the health system will improve access to services in local communities.

This broader focus not only reduces pressure on the hospital system, but it will help all South Australians get faster access to the services they need.

We will be establishing four GP Plus health centres in outer metropolitan areas.

These will be in Elizabeth, Marion, Aldinga and Woodville.

These centres will provide longer operating hours and more access to services where they are needed.

We are also increasing the capacity of GP clinics throughout the State by providing 50 primary health care nurses.

Hospital resources will also be increased. This will see:

- the recruitment of 49 additional medical specialists and trainees, including 17 full-time positions in emergency departments;

- funding for 30 medical school places and eight health and medical scholarships;
- \$38 million over four years for reduced elective surgery waiting times — that translates to 16 000 elective operations;
- \$12.9 million over four years for reduced adult dental care waiting times — that translates to 7000 dental patients each year;
- redevelopment of the Port Augusta Renal Dialysis Unit;
- \$20.8 million over four years in additional hospital equipment; and
- \$6 million over four years to expand the Family Home Visiting Program.

Today's Budget marks a significant milestone for public health in the north-eastern suburbs, with some \$17.5 million provided for the transfer of the Modbury Hospital back to public management.

Mental health is also a focus of this Budget, with the recruitment of 30 additional mental health workers to work with GPs across the State, and \$10.2 million over the next four years for the Healthy Young Minds Program — a program that provides additional child and adolescent mental health services.

These initiatives clearly demonstrate the Government's commitment to improving the State's health and mental health systems for our youth and the community.

It is also important that we expand opportunities for those who are disadvantaged in society.

That is why this Budget will provide \$20.7 million over four years for additional in home support services and community-based accommodation for people with disabilities.

We are also providing \$4.2 million over the next four years for increased assistance to people with Autism Spectrum Disorder, and their families.

Additional assistance will be provided to people who qualify under the South Australian Transport Subsidy Scheme, with funding for an additional 40 vouchers a year and an increase in the maximum fare subsidised from \$30 to \$40.

South Australia's health system will continue to strengthen under a Rann Labor Government.

In the past four years, the Labor Government has spent more than \$7 billion on our public education system.

We have introduced significant reform in our schools — from more teachers and smaller class sizes in the first years of school, to school retention programs for high school students.

A \$450 million investment has helped improve the look and standard of school buildings and included our \$25 million School Pride program — the biggest single cash injection into school maintenance in a decade.

We invested in more counsellors for primary schools, mentors, a \$35 million literacy improvement strategy and thousands of new books for school libraries as part of the Premier's Reading Challenge.

We reviewed childhood education and childcare and we set up ‘one-stop’ Children’s Centres that bring together childcare, education, health, family and parenting services.

Today we are building on this strong foundation by injecting additional funds into education under the Education Works Strategy.

This will include \$134 million towards building six new schools in partnership with the private sector.

The ambitious Education Works Strategy will reshape our public schooling system for the future.

The State’s public education system has long been in need of significant reform and realignment of services.

Over time the distribution of families in communities across South Australia has changed.

This Government has taken a bold step to commence the realignment of the State’s public schools in order for our schools to be located in the areas of highest need.

Our Education Works strategy will deliver better education services for young South Australians and will include:

- construction of six new schools in Adelaide’s metropolitan area; and
- investment in schools that choose to amalgamate and bring together childcare, preschool and school services into a single ‘one-stop’ location for families — an investment of about \$82 million.

For South Australia’s education system to make progressive steps forward, bold reform is needed.

Under our plan, some schools will decide to close, some schools will decide to combine, and others will be reshaped.

Ultimately, the changes will directly benefit these children, their families and communities, and we will work with them to ensure the best outcome.

That is why we are making a commitment to start discussions immediately with the 17 schools and preschools that will be impacted by the construction of new schools.

The changes to our school system will be driven by community need. We will work with the community to make decisions and move forward for our children.

We can no longer afford to do the same as consecutive Governments have done for the past three decades and patch up outdated and, in some cases, surplus school buildings.

The initial program will start with the overhaul of the State’s ageing school buildings.

The program will deliver to children in Government schools wide curriculum choices, modern buildings and high-quality equipment.

Mr Speaker, today we are also injecting a further \$76 million in new spending to deliver our election commitments and education initiatives.

Today’s Budget has committed to spend record levels per student.

To deliver these education commitments, we need better quality facilities and we need to rethink the way we offer education in this State — particularly in senior years.

Mr Speaker, today's Budget makes a commitment to deliver a comprehensive education system that offers young people choice and excellence.

Today's Budget will also include the following funds over the next four years:

- \$54.5 million to implement a new South Australian Certificate of Education;
- \$32.1 million to employ 100 more teachers and reduce Year 3 class sizes. This builds on previous teacher additions that saw reduced class sizes from Reception to Year 2;
- \$24.8 million to establish ten high-tech Trade Schools to meet the skills needs of the State;
- \$23.3 million towards the construction and operation of ten more Children's Centres, bringing the total to 20;
- \$16 million for increased resources to support the needs of students in non-government schools;
- \$2.5 million to extend the school retention action plan to the end of 2007;
- \$1.55 million to mandate healthy food in school canteens;
- \$1.7 million for a new Premier's Be Active Physical Education Challenge, encouraging children to be more active; and
- \$1 million to purchase more books for schools.

Mr Speaker, trades and apprenticeships have also been given a boost in the Budget.

In addition to the ten new trade schools, this Budget will deliver:

- 2600 additional apprenticeships;
- \$16.8 million over four years for additional resourcing of the Vocational Education and Training system;
- ongoing support for Education Adelaide;
- \$8.3 million over the next four years as support to establish and operate a Mineral Resources and Heavy Engineering Skills Centre; and
- \$3 million over three years to establish a Software Engineering Institute as part of Carnegie Mellon University.

Mr Speaker, the Government's commitment to law and order is paying dividends.

Offences are down, convictions are up, sentences are longer.

Today's Budget will deliver more.

We will be putting an additional 400 police officers into the community over the next four years at a cost of \$109.5 million.

This Labor Government built South Australia's police force to record numbers in our first term.

We have also committed to undertake a significant recruiting drive to give us an even larger police force in four years — of 4401 officers.

This is an increase of 640 police officers, or 17 per cent since 30 June 2002.

South Australia will continue to have a strong hold on its title as the State with the greatest number of police per capita.

Local services will also be enhanced through the provision of three additional police shopfronts — at Hallett Cove, Campbelltown and Munno Para.

With an increased saturation of police officers and the crime rate dropping, today we are building capacity to lock away more offenders.

That's why this Budget has committed to the largest-ever expansion and reform of the State's prison system — more than \$500 million worth of new facilities.

A new prison precinct will be established near Murray Bridge.

The precinct, adjacent to the existing Mobilong Prison, is expected to be fully operational by 2011-12.

The precinct will include:

- a new 760 bed — men's prison — increasing capacity from the over crowded Yatala prison by 419 beds; and
- a new 150 bed — women's prison — increasing capacity by 58 beds.

In addition, new detention facilities will also be provided for:

- a new 90 bed juvenile detention centre at Cavan as a single modern facility and;
- a new 80 bed pre-release centre, also at Cavan.

This model will provide the capacity to serve our prison needs well into the future — at a more efficient cost.

As a result, the Yatala Labour Prison and the Adelaide Women's Prison will be closed.

The new facilities will be built under a Public Private Partnership arrangement.

This will see the private sector own, finance, design, build and maintain the infrastructure that will be operated by the State Government, through the Department for Correctional Services, over a 25-year period.

Importantly, Mr Speaker, custodial services will be retained and delivered by the State.

The new prisons will free up the Northfield site for significant housing development. The heritage values of the site will be retained in future development.

The Magill Youth Detention centre will also be closed and the site vacated and made available for future developments.

Law and order will also be boosted by the delivery of \$2.7 million over the next four years for four more prosecutors for South Australia's Office of the Director of Public Prosecutions.

In addition, the State's Courts Administration Authority will receive an extra \$5.8 million over four years to meet increased costs in the South Australian court system.

This Budget delivers a significant range of other commitments in the justice area, including:

- \$4.6 million over four years for enhanced DNA testing services;
- ongoing funding for the Paedophile Task Force;
- the establishment of the new position of Commissioner for Victims' Rights;
- on going funding for the sexual and violent offender treatment program in jails - more than \$1.7 million a year from 2007-08;
- \$1 million over four years for an offender graffiti-removal and community work program;
- provision of an additional ten beds at the Women's Prison; and
- \$9.1 million over four years to address the increased workload in community corrections, and for staff attraction and retention of correctional officers.

The Budget provides more than \$3.7 billion over the next four years in investment expenditure.

That is a 49 per cent increase on the level of investing expenditure provided for in the 2001-02 Budget.

In addition, the Government will initiate Public Private Partnerships for a further \$134 million for schools, and \$517 million for new prisons and the new youth detention centre.

This investment, per capita, is higher than the projected capital expenditure in Victoria.

Whilst increasing our borrowing, debt will remain at manageable levels.

The investing budget already includes a range of projects being undertaken by this Government, including:

- South Road upgrade project;
- establishing the Port River Expressway;
- upgrading and extending the tramline; and
- major health infrastructure upgrades.

Mr Speaker, today I am announcing a significant number of additional projects:

- \$216 million under the Education Works strategy for upgrading schools;
- \$145 million for the redevelopment of Flinders Medical Centre;
- \$50 million over two years, from 2008-09, to continue the public transport bus fleet replacement program;
- \$35 million for GP Plus health centres;
- \$24.8 million for ten Trade Schools;
- \$22.8 million for the redevelopment of the Police Academy; and
- \$13 million to construct an additional ten Children's Centres.

As already detailed, provisions have been made for Public Private Partnership arrangements to deliver \$517 million in new detention facilities for the State.

This Budget also provides significant funding for the Port Adelaide Maritime Corporation, the charter of which is not only to deliver the Air Warfare Destroyer Project, but to expand the maritime and defence industries in this State.

- \$243 million for the construction of the Common User Facility and the harbour dredging associated with the project;
- \$67.7 million to acquire land that is key to its current and future operations;
- \$8.1 million for the construction of the Maritime Skills Centre; and
- \$6 million to support the operation of the Air Warfare Destroyers Systems Centre.

Mr Speaker, further supporting the economic development of South Australia, this Budget will provide:

- \$9.6 million to extend the Regional Development Infrastructure Fund to establish strategic infrastructure in regional areas;
- \$2.1 million over four years to expand the operations of the Defence Unit in the Department of Trade and Economic Development;
- \$2 million over four years for the Centre for Innovation;

- \$2 million over four years for projects in rural towns;
- \$1.5 million over three years for an Olympic Dam Taskforce to deliver the expansion of Roxby Downs;
- \$1.2 million in support of science and innovation activities through the Bragg Initiative; and
- \$500 000 over two years for a pilot program to encourage and welcome new migrants in South Australia.

Today's Budget includes an ongoing commitment to significant funding for the State's transport system.

In response to growing passenger demand, we will provide an extra \$10.1 million in capacity funding over the next four years for public transport services.

This Budget provides an extra \$8 million on public transport in 2006-07.

The State is poised for record investment in road and transport infrastructure.

In 2006-07, \$85.5 million will be spent on Stages 2 and 3 of the Port River Expressway, while \$59.4 million will be spent on South Road projects.

The Rann Government is committed to delivering the South Road-Anzac Highway underpass. Pre-construction work and land acquisition will continue on the underpasses under Port and Grange Roads, widening between Port and Torrens Roads and planning work for the Sturt Road underpass.

Other road and transport investment spending in 2006-07 includes:

- \$14.2 million for the start of the Northern Expressway project;
- \$27.6 million for the replacement of the Bakewell Bridge;
- \$24.2 million for the extension of the tramline to the City West Campus of UniSA;
- \$21.2 million for the replacement of public transport buses; and
- \$3.1 million toward a new two-lane roundabout at the intersection of Waterloo Corner and Heaslip Roads.

Additional funding of \$7.6 million has also been allocated for key rural road projects in coming years, providing for:

- road sealing between Wilpena and Blinman;
- widening of the Stone Hut Bridge between Stone Hut and Wirrabara;
- re-surfacing the unsealed road from Oodnadatta to Hamilton; and
- re-surfacing and sealing sections of the Oodnadatta Track between Lyndhurst and Maree.

A strong commitment of \$10.8 million over four years has been made to increase to 50 per cent the number of South Australian Government fleet cars using alternative fuels. This will see 3900 environmentally friendly vehicles by 2010.

South Australia is renowned for its strong commitment to the arts and the thriving tourism sector.

The Budget supports a range of arts infrastructure and events, including:

- \$8 million for the upgrade of the Adelaide Festival Centre;
- \$1.8 million for the upgrade of the Lion Arts Centre; and
- \$2 million over four years to stage the Adelaide Fringe annually.

Mr Speaker, we have also provided a significant financial boost for major events and the Adelaide Festival of Arts.

The Budget provides:

- \$5.8 million to support major events in South Australia, including new events such as the Rugby Sevens, the Oldways Food Symposium and the Adelaide Food and Wine Summit.

Protecting our natural environment remains a key plank in the Government's policy platform.

South Australia continues to lead the way on sustainability at the national level.

To strengthen our environmental presence in the community, today's Budget will include \$7.2 million to place an additional 20 park rangers across the State over the next four years.

This will include rangers being placed at some of the State's most popular Conservation Parks, including Morialta and Black Hill.

This Budget also provides \$5.7 million for the creation of a new River Murray Forest.

This is a unique conservation initiative in the River Murray. It will provide native habitat for threatened species, such as the Regent Parrot, and help combat climate change by offsetting carbon emissions.

Mr Speaker a significant increase in expenditure and investment in vital frontline Government services, in health, education and law and order, requires a review of the way we spend our money.

That is why the Rann Government has commissioned a review of Government expenditure.

The South Australian Government must take a significant step forward and adopt a 21st Century way of doing business and bring about significant increases in efficiency across all agencies.

As a result, we are developing a ‘shared services’ delivery model to support all Government agencies.

It will streamline and simplify internal administrative services.

Together with savings on Information and Communications Technology, procurement and management reforms, savings of \$60 million each year will be returned back to the community.

The initiative will provide back-office support services such as ICT, human resources, records management, finance, procurement and payroll to agencies through a consolidated entity rather than being duplicated across every Government department.

It will result in a smarter, simpler, more effective and robust way of doing business.

The practice is used in the United States, Canada, New Zealand, the United Kingdom and other parts of Australia.

Mr Speaker, all Government agencies have been asked to review spending and deliver savings.

Savings of \$695.1 million over four years will be made and redirected into priority areas of Government.

Savings include:

- an across-Government efficiency dividend of 0.25 per cent each year compounding — that’s \$128.1 million over four years;
- individual agency savings measures of \$396.5 million over four years; and
- structural Government reform — saving \$170.5 million over four years.

Mr Speaker, structural reform of government includes the shared services reform already mentioned.

It also includes the proposed abolition of the Department for Administrative and Information Services and the Office of Public Employment.

The core business functions will simply be transferred to a range of other Government departments.

The Office of Public Employment, and DAIS workforce-related functions and business units, will be transferred to the Department of the Premier and Cabinet.

Staff and unions will be consulted over proposed transfers.

Again, this initiative will translate in to real benefits for South Australians each year — with additional funds being available to deliver essential services in health, education and community safety.

Mr Speaker, today I am presenting a Budget that addresses the State's needs now and in to the future.

I would like to thank the outstanding work of my Ministerial colleagues, their Chief Executives and their staff.

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

For the fifth consecutive year, this Government has demonstrated prudent and responsible financial management.

We have delivered a Budget in surplus every year since coming to office.

That approach has delivered and retained, for our State, a Triple-A credit rating.

With this Budget the tradition continues — a Budget in surplus for each and every year, of the second term Rann Labor Government.

Mr Speaker, this is a Government that has honoured every election promise.

And as a Labor Government we are proud to be meeting the challenge of delivering more money and better services in health, in education and in keeping our community safe.

Mr Speaker,

- We are a Government with the vision to lead our State.
- We are a Government prepared to reform.
- We are a Government prepared to be bold.
- We are a Government that delivers.

Mr Speaker, I commend this Budget to the House.

APPROPRIATION BILL 2006

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 2006. Until the Bill is passed, expenditure is financed from appropriation authority provided by the *Supply Act*.

Clause 3: Interpretation

This clause provides relevant definitions.

Clause 4: Issue and application of money

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

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

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

Clause 6: Expenditure from Hospitals Fund

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

Clause 7: Additional appropriation under other Acts

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

Clause 8: Overdraft limit

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