

# **BUDGET SPEECH 2003-04**

**DELIVERED ON 29 MAY 2003, ON THE SECOND READING OF THE APPROPRIATION BILL 2003, BY THE HONOURABLE KEVIN FOLEY MP, TREASURER OF SOUTH AUSTRALIA.**

Mr Speaker

I present this, my second Budget, against the backdrop of a South Australian economy at the crossroads.

There is a clear choice before us.

It's the same choice that confronted delegates at the Economic Growth Summit.

We can make the necessary changes now.....We can make the changes that will lead to a successful, progressive future; a place where our children and their children can achieve their potential.

Or we can go on as we have for too long in South Australia, putting short term fixes before long-term strategy....while year by year we slip further into decline.

Mr Speaker, this Government chooses the longer, harder road.

This Government shares the goals of Robert Champion de Crespigny and the Economic Development Board.

This Government shares the aspirations of the 280 South Australians who sat in this chamber just six weeks ago and dreamed of a dynamic, growing South Australia.

This Government will do its part to make those dreams a reality.

Mr Speaker, this Budget is an investment in the State's future.

This Budget is prudent and responsible.

This Budget will encourage business and investment.

This Budget builds on our infrastructure.

It cuts Government waste.

It allows us to lower our debt.

And it protects us should hard times return.

But Mr Speaker, this Budget does not just prepare for tomorrow.

This Budget provides for today.

It commits extra funds to health; to education; to law and order.

It provides better services for our children, for the disabled and for the homeless.

And this Budget takes up one of our greatest challenges: to save the River Murray.

Yes, that's right Mr Speaker, we've had enough words, now it's time for action.

Mr Speaker, this Budget reflects our confidence in South Australia's future.

But it also recognises the realities of the local, national and global economies.

And there are real reasons for concern.

The international economy remains weak and uncertain.

Our business and trade have been – and continue to be – severely affected by an extended downturn in world economic conditions. This uncertainty has been compounded by terrorism, war and SARS.

The volatility of the stock market and oil prices, the strength of the Australian dollar against the currencies of our major trading partners — these are other factors which impact adversely on our State.

The State's housing boom is predicted to end in the forthcoming financial year, with a 21% decline forecast in new home construction.

Employment growth is also forecast to ease and despite welcome rain in some areas the outlook for our farmers remains uncertain, especially given the need for water restrictions.

These and other indicators demand that we make provision for the future.

Mr Speaker, this Budget has a small accrual deficit of \$20 million in 2003-04 and a cash surplus of \$83 million, and then delivers growing accrual surpluses from 2004-05.

In 2006-07 the surplus is forecast to be \$133 million. This year is particularly significant because this is the year in which the Budget bottom line can no longer be supported by large dividend distributions from the South Australian Government Financing Authority and South Australian Asset Management Corporation (known as the 'Bad Bank').

These surpluses total \$299 million over the forward estimates.

In cash terms the surpluses over the forward estimates total \$659 million.

This strong Budget position has been achieved by sound financial management of a growing economy.

But Mr Speaker, surpluses are not an end in themselves.

Surpluses protect us from the hard times; they are like money in the bank.

Long-term stability for the State, not short-term popularity — that's the kind of responsible Government I believe South Australians want.

Revenue gains made in 2002-03 as a result of a buoyant economy will allow us to repay debt.

This is debt repayment through fiscal strength — not fire sales.

Mr Speaker, the South Australian economy continued to experience solid economic growth during the first half of 2002-03.

This flowed through to strong employment growth.

Dwelling investment, supported by low interest rates and consumer spending saw the State Final Demand grow by 7.8% during the 2002 calendar year.

The property boom has increased property tax receipts by \$117 million. Treasury is now forecasting an accruals surplus for 2002-03 of \$312 million.

But as I've already said, it would be foolish to assume these conditions won't change.

The advice from independent forecasters and from our own Treasury is that a slow down in economic activity, and therefore revenue, is likely.....and there may be other problems we can't foresee.

That is why it is so important at this time to deliver Budget surpluses.

It would be irresponsible to squander the fruits of a growing economy.

Too often in the past, Governments have resorted to borrowings because they have not had the will to make the necessary choices for our future.

As the Economic Development Board has said, there may well be circumstances in the future where extra borrowing is justified.

The job now though, is to build a solid financial base where those decisions can be taken from a position of strength not weakness.

Mr Speaker, I've already made mention of the Government's commitment to the broad aims of the Economic Development Board and the bulk of the recommendations contained within its recently published Economic Framework.

It is designed to achieve the sort of future we all desire.

The framework challenges the Government to act quickly.

We will be responding formally to the Board's framework in the near future, but action to address key recommendations has already begun.

We are changing the structure of executive government to aid implementation of the framework.

This Budget backs up those changes with targeted initiatives across portfolios.

Mr Speaker:

- We will adopt the recommendation of the Economic Development Board and create a \$10 million venture capital fund, administered by a new Venture Capital Board. This Board's goal will be to attract private venture capital to South Australia.
- The defence industry is an important and growing part of this State's economy. Rationalisation of naval shipbuilding by the Commonwealth could mean billions of dollars in contracts and hundreds of jobs. Nearly \$3.5 million is being set aside to fund the work of the

Defence Industry Advisory Board in its attempts to secure this and other defence work for South Australia.

- More than \$1.25 million will help regional employers to attract skilled migrants to boost their work force.
- South Australia's position at the forefront of research, innovation and learning will be supported in 2003-04 by the development of high performance computing facilities at a cost of \$3.1 million.
- We will also create the Premier's Research and Innovation Fund to support new bids for science projects and to leverage Commonwealth and industry funding. The Research and Innovation fund will receive \$4 million.
- Science, Technology and Innovation together with Bio Innovation SA will be boosted with \$7 million.
- The Office of Economic Development has been allocated \$8.4 million to coordinate a Broadband Telecommunications Task Force and infrastructure fund to ensure South Australian industry has access to these vital advances in technology.
- The importance of population growth has been recognised through the investment of \$4 million on strategies to attract business and skilled migrants.
- Transport infrastructure will be improved through a program to replace our ageing Glenelg trams with state-of-the-art rolling stock. We'll also replace the track to provide a modern, light rail system to serve commuters through the 21st Century.
- And this Budget will also provide the necessary funding to build two new bridges over the Port River to provide the most efficient transport infrastructure for the Port of Adelaide. A new government enterprise, Infrastructure SA, will own and operate the bridges with a capital cost expected to be \$131.3 million.
- Film production will be supported by an extra half a million dollars per year.

Mr Speaker, through these initiatives we are taking bold steps towards creating sustainable economic growth in South Australia — a State with a viable, diverse and dynamic economy.

But it won't be possible without our ongoing commitment to education in all its forms.

The Government will provide \$8 million to employ counsellors in schools as part of our Child Protection Strategy.

We will spend \$4.5 million to build new houses for teachers in regional areas.

We will also provide nearly \$1.4 million to improve access to pre school for high needs children, and \$600 000 over two years to restore early childhood infrastructure in high need communities.

Very high achievers will also benefit from the reinstatement of the gifted students program at three schools.

Programs to increase retention rates will receive an extra \$800 000 over two years.

An additional \$2 million will be spent on urgent school maintenance.

Mr Speaker, this is in addition to the \$60 million in Labor's first Budget, which put more teachers in schools and reduced Reception to Year 2 class sizes to among the lowest in the nation.

But in this Budget, we turn our attention to fixing the further education system in the State.

Sadly, we inherited a TAFE system in tatters.

The chronic physical and financial condition of our TAFE institutes is addressed in this budget through a rescue package totalling nearly \$40 million.

An additional \$12 million has been provided as part of this package to return our TAFE institutes to a sound financial position after the neglect of the past.

In response to the Kirby Report into the governance and management of the TAFE system, an additional \$4 million will be provided for the improved governance and financial management of institutes.

TAFE infrastructure and equipment will benefit from the injection of nearly \$17 million to fund essential maintenance and equipment replacement.

Mr Speaker, this is a Budget that fosters social inclusion with a program of measures, carefully aimed at improving the wellbeing of all South Australians.

Costs and demand in the health sector continue to grow. This growth results in continuing pressures for additional funding.

We will not ignore these pressures but we will make sure that money goes where it does most good and cut areas of waste or low priority.

This Budget features \$192 million in extra spending over the next four years on the health system and social inclusion initiatives.

New initiatives include:

- \$30 million extra for intensive care services over the next four years. This will enable the commissioning of 13 new ICU beds — five each at the Royal Adelaide and Lyell McEwin and three at the Flinders Medical Centre
- \$26.8 million extra for nursing over the next four years. This money recognises the need and costs of extra nurses in the public hospital system
- an extra \$16.3 million over three years to maintain and replace biomedical equipment in our hospitals, taking the total biomedical budget provision to \$47.1 million
- \$9.6 million extra over four years for new and safer blood products and to comply with new national standards
- \$5.2 million extra over four years for kidney dialysis services to meet ongoing demand
- \$2 million extra for the Murray Bridge hospital redevelopment
- \$2 million over two years for work at the Queen Elizabeth Hospital to sustain the main hospital building during the reconstruction process

Mr Speaker, almost \$21 million has been provided for disability services as extra State contributions under the Commonwealth–State–Territory Disability Agreement.

In mental health, a variety of institutional, community and workforce reforms will benefit from an extra \$4 million.

This Budget also contains money for the acceleration of a major program of de-institutionalisation for residents of the Strathmont Centre.

The project will cost \$18.4 million and commence in 2003-04.

It involves the acquisition of a number of group homes and a significant redevelopment of the existing Strathmont site.

In addition, \$11.3 million will be put into services for the intellectually disabled to support the de-institutionalisation process.

Mr Speaker, the Government has been presented with clear evidence that too many of our children are not receiving the care and protection they deserve. This is unacceptable.

\$16.6 million will be spent on Alternative Care to ensure increased services for children and young people with high support needs.

In fact \$58.6 million will be spent in response to the Layton Inquiry, of which \$42.6 million is new money.

For example, \$12 million will fund child protection activities aimed at early intervention and prevention.

Mr Speaker, the crisis afflicting the Anangu Pitjantjatjara people requires a whole of government approach. The findings of the Coroner's inquiry last year including senseless death, petrol sniffing and domestic violence shocked us all. The Government has responded in this Budget by providing nearly \$12 million, including:

- \$7 million for health services
- \$1 million for policing
- \$800 000 will ensure the safety of electrical services.
- \$2 million to provide housing for teachers
- and \$1.2 million for a Department of Human Services regional office and respite centre.

Mr Speaker, this Government recognises that South Australians are deeply concerned about law and order.

This Budget provides extra money for police, anti-terrorism, Justice and Corrections.

The police call centre will have its hours of operation extended to 24 hours a day, seven days a week.

\$13.7 million will be spent on the new Computer Aided Dispatch system that replaces and unifies emergency dispatch systems for police, fire and ambulance.

We will provide significantly more resources to ensure we catch criminals:

- \$5.7 million for DNA testing
- \$2 million for Livescan, new fingerprint scanning technology which enhances the identification of offenders at crime scenes
- \$1.3 million for South Australia's contribution to the National Criminal Database.

New police stations will be built at Port Lincoln, Victor Harbor and Gawler in addition to the new station at Mount Barker announced in the last Budget as part of a \$31 million package of police and courts facilities.

These facilities will be built under the Government's Public Private Partnerships program.

The police aircraft fleet will be updated by the replacement of one aircraft at a cost of \$2.7 million.

We are allocating \$3.6 million for handgun buyback as part of a national program to take the guns out of our society.

In the face of the ongoing threat of terrorism we will spend an extra \$4.2 million for counter-terrorism and State disaster response, including the purchase of a mobile command centre, bomb suits, bomb robot, training facilities and technical equipment.

We are also creating a new Protective Security Branch responsible for security intelligence and emergency and event management.

In addition, there will be a Chemical, Biological and Radiological Unit within the Metropolitan Fire Service, established at a cost of nearly one million dollars

In Justice, extra funding is being provided to the Office of the Director for Public Prosecutions to handle additional caseloads. Additional Court diversion programs are to be provided in metropolitan and regional areas at a cost of \$1.4 million over four years.

For the very first time, South Australia will introduce a comprehensive \$6 million sex offenders rehabilitation program that spans our prison system and re-entry into the community.

Mr Speaker, this is the right thing to do.

Not only is this government tough on crime, it is smart on crime.

Additional funding for the operation of our prisons will total nearly \$21 million.

I can announce today that we will build a new \$32 million women's prison and a \$46 million youth detention centre, with operation under a Public Private Partnership arrangement scheduled to commence in 2006-07.

I can assure the House that, despite some suggestions to the contrary; these two facilities will be entirely separate even if they are geographically adjacent. Inmates at the women's prison will not come into contact with those in the youth detention centre.

Allocations for the operating costs of both these facilities have been included in the forward estimates.

Mr Speaker, environmental sustainability must underpin everything we do.

Particularly when it comes to water.

This Budget provides \$8 million for stormwater management in Adelaide, reversing a decision of the previous Liberal government to cut this program.

'Sustainable Adelaide' initiatives also include the planting of one million trees to generate urban forests.

Other 'Green City' initiatives will be coordinated across agencies, costing \$4.2 million.

In recognition of the demand, for sustainable alternative energy sources, the Government will provide an additional \$3.3 million to the solar hot water rebate scheme.

The Environment Protection Authority will receive an extra \$10 million.

The essential task of fire management throughout the State's parks and nature reserves will benefit from an additional \$10 million.

Mr Speaker, extra spending on fire management benefits all South Australians, just as extra spending on health, education and law and order benefits all South Australians.

But there are specific initiatives for our regional communities within this Budget.

As I've already mentioned, we are having new police stations built at Port Lincoln, Victor Harbor, Gawler and Mount Barker....and new houses for teachers will be built or purchased in Port Augusta, Murray Bridge, Port Lincoln, Berri, Whyalla, Port Pirie, Mount Gambier, Coober Pedy, Oak Valley, Amata and Fregon.

Other projects benefiting regional South Australia include:

- an extra \$6.9 million of road funding for the State's Black Spot Program.
- \$6 million, for the Smart Road Safety Program, creating a new program, to fund a series of safety driven investments such as the use of intelligent transport systems, contemporary safety signage, TruckScan and the installation of audio tactile line markers
- \$1.7 million for the Shoulder Sealing Program. Shoulder sealing is proven as the single most effective safety intervention.

Both local government and regional South Australia will gain from the transport budget. South Australia's poor performance with road safety is largely occurring in regional areas where drivers are five times more likely to be killed than their city counterparts.

As a result, this year's concentration of road safety expenditure in regional areas reflects the need to reverse this trend. All shoulder sealing works, a significant majority of the State's Black Spot Program and more than 50% of the funding for the Smart Road Safety Program will be allocated to regional South Australia.

We're also spending more than \$6 million to accelerate the introduction of the National Livestock Identification Scheme into South Australia.

There'll be extra funds for fisheries compliance officers, new money to help regional areas attract migrants, new money for the arts and tourism.

But Mr Speaker, the biggest initiative relates to a problem that affects all South Australians, either directly or indirectly.

I'm talking about the River Murray.

The River Murray is the lifeblood of this State, providing water for our homes, industry and farms.

The River Murray is dying.

The issues surrounding the River Murray are not simply environmental in nature; they cut to the core of the economic and social well-being of the State.

Solving the problems will take time, significant resources, and the collective political will of the Commonwealth and the States.

Mr Speaker, South Australia must set the example. This Government is committed to saving the Murray and is prepared to take the tough decisions.

A multi-million dollar package of new spending will change the way we manage and treat this vital resource.

This money will enable South Australia to pay for its share of the cost of restoring water to the River Murray.

The State Government wants to see 500 gigalitres returned to the river as environmental flows in the next five years, as a vital first step to restoring the health of the river.

Being able to put money on the table strengthens South Australia's argument in favour of increased environmental flows.

Lobbying of the Commonwealth and the other Murray–Darling Basin states will continue in support of a total commitment of at least 1500 gigalitres of extra water for the river over the next 10–15 years.

The State Government will spend about \$10 million a year on specific initiatives such as:

- implementing the water allocation plan
- Scientific research and information
- environmental flows and wetland management
- water quality improvement
- conserving the River Murray's ecology
- upgrading the river's waste disposal stations and drainage disposal system
- increased funding for Murray Darling Commission programs such as keeping the Murray mouth open and Salt Interception Schemes.

Another \$10 million will be set aside for South Australia's contribution to an across-the-Basin initiative to provide water for increased environmental flows.

Mr Speaker, these vital new initiatives must go on year after year after year. This is additional to the millions of dollars already being spent to save the river.

Action now will benefit the State for generations to come. This program is critical and needs extra resources.

Mr Speaker, that is why a River Murray Levy is being introduced in this Budget.

All funds raised from the levy will be used specifically to help save the River Murray.

It will be charged at a flat rate to SA Water customers and be collected with SA Water bills from 1 October 2003.

The flat rate levy will be:

- \$30 for residential customers
- \$135 for non-residential users including commercial customers.

Mr Speaker, the levy will not apply to pensioners and people who receive concessions from SA Water.

Levy amounts will be indexed annually to keep pace with inflation.

The money raised from the levy will be put into a Save the Murray Fund set up under legislation. It cannot be used for any other purpose.

It is a dedicated fund for a dedicated purpose. Your \$30 levy will put more water and cleaner water back into the Murray.

Mr Speaker, we have reviewed the effectiveness of other revenue raising measures and will increase compliance by targeting those who put an unfair burden on other South Australians by not paying their tax.

We expect these measures to increase revenue by \$10 million a year.

The Budget also includes an increase in fees and charges of 3.9%, according to the formula introduced by the former Liberal Government.

In terms of Federal funding, South Australia will receive \$4.8 billion from the Commonwealth in 2003-04.

Just over \$3 billion of this comes in the form of general-purpose grants.

Mr Speaker, taxpayers expect us to cut wasteful or low priority spending.

We have made cuts totalling \$94.5 million in 2003-04.

Honourable Members will have an unprecedented opportunity to analyse these cuts in this year's Budget papers.

But let me give you some examples:

In line with the recommendations of the Economic Development Board and groups like Business SA, we are slashing the Industry Investment Attraction Fund by \$31.1 million.

The Department of Administrative and Information Services has revised the costs of implementing the Government Radio Network and saved taxpayers more than \$24 million.

The Department of Transport is reforming some of their functions and corporate services and will save more than \$22 million.

Those are just a few examples....

We have made difficult choices, but they put us in a position to deliver the services that South Australians need.

Mr Speaker, as usual, I must place on the record my gratitude to my Ministerial colleagues, their Chief Executives and their staff for their contribution to the Budget task. My thanks also go to the Under Treasurer and the Department of Treasury and Finance....and to my personal staff for their efforts.

Mr Speaker, this Budget reflects the ambitions of the people of South Australia.

It caters for immediate needs while building towards a stronger, more secure future.

The ten thousand people who contributed to the Economic Framework, the 280 who were at the Economic Summit....they gave us a clear signal about the direction they wanted us to take.

They want an economic plan for growth based on investment, innovation and partnership between all sectors of the community.

Investment in services, investment in infrastructure; investment in the future.

But most of all, investment in the people of South Australia.

This Budget is the second instalment, in our commitment to get the Government back in the black.

It is the next step in providing better health care, better schools and safer streets.

This Budget provides for today and prepares for tomorrow.

I commend this Budget to the House.

## APPROPRIATION BILL 2003

### 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 2003. 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.