

State Budget 2017–18



Budget Speech

Budget Paper 2



Government
of South Australia

STATE BUDGET | 2017-18

Budget Paper 1: Budget Overview

A summary publication capturing all highlights from the 2017-18 Budget.

Budget Paper 2: Budget Speech

A copy of the Treasurer's speech, delivered to Parliament.

Budget Paper 3: Budget Statement

A financial report presenting the state government's current and estimated future economic performance, fiscal strategy, budget priorities, expenditure, revenue, assets, liabilities, risks and government business.

Budget Paper 4: Agency Statements | Volumes 1, 2, 3, 4

Various financial reports presenting the state government's current and estimated revenue, expenses and performance by agency.

Budget Paper 5: Budget Measures Statement

A financial report detailing the state government's expenditure, savings and revenue initiatives.

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Budget Speech 2017–18

*Delivered on 22 June 2017, on the second reading of the Appropriation Bill 2017,
by the Honourable Tom Koutsantonis MP, Treasurer of South Australia.*

Mr Speaker, few things are as important to South Australians as a secure job, their family's health, the quality of their children's education and the amenity of their streets and suburbs.

It is with those aspirations that this budget invests heavily in job creation, in our hospitals, in our children's schools, in the neighbourhoods we live in and our state's infrastructure.

Mr Speaker, this is a budget that steps forward to create jobs with a \$200 million Future Jobs Fund.

This is a budget that builds on our new Royal Adelaide Hospital by modernising our major suburban hospitals and committing to a new Adelaide Women's Hospital.

This is a budget that continues our strong track record of investing in infrastructure with commitments to build new hospitals, new schools, new roads and more public transport services, supporting local jobs and growing our economy.

This is a budget that gives local communities the power to decide how to improve their neighbourhoods and also substantially increases our comprehensive commitment to grass-root sports and women's sport.

This is a budget that fully funds Our Energy Plan which will secure the state's power network and place downward pressure on prices.

And importantly, our prudent fiscal management has ensured we continue to live within our means, with this year's budget delivering our ninth surplus, with forecast surpluses across the forward estimates.

Mr Speaker, there are significant challenges to our economy on the horizon.

While we are negotiating a final support package to secure the successful sale of the Arrium business, in just under four months time, more than 50 years of manufacturing history will end as Holden closes its factory at Elizabeth.

From the EH to the latest Caprice, thousands of South Australians have earned a livelihood on the factory floor, or at one of the hundreds of companies that supply Holden with components.

A decision made in Canberra, will reverberate throughout South Australia, starting from our northern suburbs and rippling across the state.

Needlessly, October 20 will mark the end of the automotive manufacturing era in South Australia after the Federal Liberal Government turned its back on the sector.

Its closure is the starkest example of the forced transition occurring in the South Australian economy.

However, as our traditional industries wind down, the State Government is stepping forward to invest in the future — supporting industries that are growing today, to create the jobs of tomorrow.

We are creating a \$200 million Future Jobs Fund, which commits an additional \$60 million to continue the good work that Investment Attraction South Australia undertakes by enticing new businesses from other states and countries, like Boeing, to our state.

Just as Our Energy Plan motivated a huge response from industry, we expect South Australian businesses to put their hand up to partner with the State Government to create jobs.

The Future Jobs Fund will make available \$50 million in grants and \$70 million in a new loans program to support South Australia's businesses and not-for-profit organisations to take the next step, expand and employ more people.

We want to partner with South Australia's businesses to create jobs and opportunities.

The Future Jobs Fund will focus on five key growth industries:

- Shipbuilding and defence
- Renewable energy and mining
- Tourism, food and wine
- Health and biomedical research
- IT and advanced manufacturing

Just like investments in our car industry led to economic prosperity over the past 70 years, these are the industries that we will back to provide South Australians with the jobs of tomorrow.

Turning its back on the nation's automotive industry has saved the Federal Government hundreds of millions of dollars in subsidies. So today, I have written to Treasurer Scott Morrison asking him to partner with us and match our \$200 million commitment to the Future Jobs Fund dollar-for-dollar.

Mr Speaker, we had to stand up and fight to make sure the submarines and frigates were built in South Australia — as originally promised.

We fought to make sure our state got its fair share of water in the Murray-Darling Basin Plan and we have fought to oppose the cuts to our schools and health system.

We will also stand up for South Australia to ensure the Federal Government helps our state create jobs after they abandoned support for automotive manufacturing in Australia.

Mr Speaker, this budget also continues this Government's proud record of tax reform — locking in the nation's lowest payable payroll tax rate of 2.5 per cent for the state's small business and increasing the threshold for businesses eligible to receive tax cuts to a taxable payroll of \$1.5 million.

From 1 July 2017, the current small business payroll tax rebate will be replaced with a legislated cut to the payroll tax rate for small business, removing red tape.

This change will provide assistance to more than 3000 of the state's small businesses, which employ about 45 000 people.

We are also opening doors to employment for young people, by increasing our Job Accelerator Grant program to target apprentices and trainees.

This program has already helped to create almost 10 000 jobs and will now offer businesses up to an additional \$5000 for each new apprentice or trainee they employ, increasing the total grant on offer to up to \$15 000.

This builds on the next tranche of nation-leading tax cuts that come into effect on 1 July, when stamp duty on non-residential property transfers is halved — further enhancing South Australia's reputation as the best place to do business.

This budget, Mr Speaker, includes \$9.5 billion in infrastructure spending over the next four years which will support on average 5700 jobs per year.

The new Royal Adelaide Hospital will be opened in September, marking the end of current reforms and signaling a new phase of modernising our suburban hospitals, which will dramatically improve health care for South Australians.

Our vision is to ensure the standard set by the new Royal Adelaide Hospital is not the exception to our healthcare system, but the norm across all our suburban hospitals.

The Queen Elizabeth Hospital will get a \$250 million upgrade, with a new clinical building that will house the emergency department, outpatients, operating theatres, as well as rehabilitation facilities. Cardiology services will also remain at the hospital.

The Lyell McEwin, Flinders, Modbury and Mount Barker hospitals will also benefit from a combined \$71.9 million in upgrades to infrastructure and services.

We will spend \$528 million to build a new Adelaide Women's Hospital, co-located at the new Royal Adelaide Hospital. This will ensure mothers and newborns have access to the most modern facilities and the best care possible.

Our nation-leading biomedical research precinct will be enhanced with a second SAHMRI building, poised to deliver groundbreaking cancer treatment for all Australians.

The \$1.1 billion in new health funding also includes \$195 million towards additional hospital services and to fill part of the \$1.5 billion in Commonwealth cuts to health funding across the next four years.

Mr Speaker, this budget continues our investment in public infrastructure to create jobs today and put the building blocks in place for future growth. In 2017–18, the general government infrastructure spend is expected to be a record \$2.2 billion.

Just as the State and Federal Governments have partnered to spend \$174.3 million to deliver a good outcome for the upgrade of the Oaklands Crossing, the State Government has also committed to its share of \$674 million to get on with other key infrastructure projects.

This includes the next stage of the South Road upgrade between Pym and Regency streets that will create a non-stop motorway from Gawler to the River Torrens — all delivered by this Government. We also wish to deliver the second stage of the electrification of the Gawler rail line from Salisbury to Gawler.

We ask the Commonwealth Government to right the wrongs of the recent Federal Budget and partner with us to complete these important projects. Together, we can do more.

This budget also commits \$305 million for the first stage of the duplication of Main South Road from Seaford to Sellicks Beach to ensure our growing southern communities are safely and smoothly connected to the city and extend our north-south corridor for the entire length of our metropolitan area.

Detailed design and scoping of the second stage of works is underway for the Aldinga to Sellicks section with funding to be allocated before the end of the year.

We also commit \$22.4 million over four years to increase the frequency of train services on the Gawler, Outer Harbor, Belair and Seaford lines, including nights and weekends.

The budget continues to expand our Park 'n' Ride services with new multi-level facilities at Klemzig and Tea Tree Plaza interchange and we are also allocating \$3.5 million to upgrade the Blackwood roundabout.

The Government will also commit a further \$1.1 million in addition to the previous \$2.95 million, to upgrade the Mount Gambier Airport.

Importantly, this budget retains funds in contingency for the realignment of the Springbank, Goodwood and Daws Road intersection. Department of Planning Transport and Infrastructure has commenced detailed design work to create a standard cross intersection to eliminate frustrating congestion for the residents in and around Panorama.

These are important projects that will fix trouble-spots in our suburbs and outer areas improving the livability of our communities and creating jobs.

Mr Speaker, I have said at every budget that education is, without any doubt, the best investment we can make in our children and our economy.

This Government has a proud track record of supporting our first-class public-school system.

Last budget, we dedicated \$250 million to build 139 new science and technology labs in our public schools to boost the number of students studying science, technology, engineering and maths to prepare them for our growing shipbuilding, advanced manufacturing and defence industry jobs.

This budget commits to building two new birth-to Year 12 schools in our growing outer suburbs in the Munno Para area and the Sellicks Beach/Aldinga area.

Each new school will accommodate 1400 students, 100 special school students and will also include a 55-place children's centre.

These will be centres of educational excellence, much like our previous generation of super schools, and are in addition to our new Adelaide Botanic High School in the city.

All our infrastructure projects are subject to our Industry Participation Policy and the oversight of the Industry Advocate to ensure we get the greatest number of jobs and economic boost here in South Australia.

Recent figures from our current major projects show we are delivering 90 per cent of jobs for South Australians.

This Government will also commit to the original Gonski funding deal despite the Federal Government's current plan to cut South Australia's funding over 2018 and 2019 by about \$245 million, and approximately \$200 million ongoing, compared to the original Gonski agreement.

Mr Speaker, a hallmark of Labor's budgets has been strong commitments to grass-root sports and neighbourhood development. This budget we take this even further.

Following the success of our sport vouchers program we will continue our investment in rebuilding and supporting grass-roots clubs with \$20 million over two years for synthetic playing surfaces grants.

Synthetic surfaces allow clubs to use their facility almost three times as much as natural surfaces, increasing participation and expanding the accessibility to participate in sport with our clubs bursting at the seams because of the lack of new infrastructure.

Our girls deserve an equal chance to play their preferred sport. So we will double-down on our successful women's sporting facilities fund with a further \$14 million over two years, to provide female change rooms.

We will also fund a \$4.5 million first-stage upgrade of the Priceline netball stadium.

Mr Speaker, this budget also includes \$40 million for what is one of the world's largest participatory budgeting initiatives, that will give communities the power to decide what neighbourhood infrastructure and amenities that they want to fund.

The premise of this entire policy is to involve South Australians in decisions which affect their lives.

Using the framework of the internationally recognised Fund My Community initiative, communities will be able to put forward their ideas for local infrastructure projects and, with the right level of support from their local area, will receive the funding required.

Projects could be as diverse as a new bus stop, an upgrade of a park, better local lighting, roundabouts or new playgrounds. It really is up to individual communities to tell us what they believe their street, suburb or neighbourhood needs. Because in the end, who knows their community better than the locals who live there?

Mr Speaker, the revitalisation of our city has been one of the greatest achievements of this Government to date.

We re-built Adelaide Oval, which is now generating more than \$300 million each year in extra economic benefits to the state. It is part of a redeveloped Riverbank Precinct that has changed the face of our city for the better.

A raft of financial and tax-reducing incentives has also seen the increase of high-density living and a rise in the number of people living in the city, driving economic activity and supporting small business.

In this budget, the Government has increased the benefits for people looking to buy an off-the-plan apartment to include:

- An extension of the off-the-plan stamp duty concession to 30 June 2018, allowing eligible applicants to benefit from up to \$15 500 in stamp duty relief on off-the-plan apartment purchases.
- The introduction of a \$10 000 pre-construction grant for eligible off-the-plan apartment contracts entered into between 22 June 2017 and 30 September 2017, where construction is yet to commence.
- The introduction of a five-year land tax exemption for investors purchasing off-the-plan apartments, for contracts entered into between 22 June 2017 and 30 June 2018.

Combined with existing grants, including the First Home Owner Grant, these measures have the potential to deliver \$40 500 in government assistance for a first-home buyer purchasing an off-the-plan apartment.

These initiatives will also complement a very welcome policy from the Adelaide City Council to offer a five-year rate holiday to people purchasing and moving into the city.

Safe communities and a fair and speedy justice system are also incredibly important to the people of South Australia. This budget ends the uncertainty over the future of our courts and includes \$31 million to increase the number of criminal court rooms, redevelop the Sir Samuel Way Building and refurbish the Supreme Court buildings.

We are also expanding the jurisdiction of the South Australian Civil and Administrative Tribunal with a further \$6.1 million in funding, and providing extra resources for the Coroner's Court to clear the backlog of cases.

There is an additional \$38.3 million to operate an additional 160 prison beds at Mount Gambier Prison, and \$28.1 million over four years for programs to reduce reoffending.

We have of course announced \$8 million over four years to combat the scourge of ice, in response to the recommendations by the Ministerial Ice Taskforce while \$270 000 will support an across-government response to improving justice, safety and wellbeing outcomes for Aboriginal people.

A further \$86.5 million has been provided to meet the increased costs of children in care over two years, and \$18.1 million is provided to continue the provision of services under the National Partnership Agreement on Homelessness.

Mr Speaker, this budget also commits to two new revenue measures to help us meet the cost of our significant support for driving economic growth and creating more jobs.

The first is a new South Australian Major Bank Levy which will be introduced from 1 July 2017.

It will apply to the same cohort of banks that are liable for the Commonwealth Government's Major Bank Levy, which passed the Federal Parliament earlier this week.

The State Government and the Premier have advocated to address the under taxation of the banking sector at the national COAG for many years.

Indeed the Prime Minister has advocated that the Australian states introduce their own new revenue measures to meet funding shortfalls created by the Commonwealth Government's retreat from education and health funding.

States previously applied taxes to banks and the financial sector, yet gave those revenue streams up as part of the introduction of the GST.

Reports show that financial services are significantly undertaxed by more than \$4 billion per annum because their GST treatment differs from other industries.

The Levy will be charged quarterly at a rate of 0.015 per cent on South Australia's share of liabilities subject to the Commonwealth Major Bank Levy. Our state's share of liabilities will be determined based on the South Australian share of the national economy.

The banking sector is very profitable and a Major Bank Levy is a fair and reasonable approach to ensuring the sector contributes its fair share. The new Levy is expected to generate revenue for South Australia of \$370 million over four years.

Together with the Commonwealth Government's Major Bank Levy, a total of \$1.7 billion per annum will be raised, which is still well below the \$4 billion that the Commonwealth's own papers say that the financial institutions are undertaxed by.

The other revenue measure included in this budget is a conveyance duty surcharge on foreign buyers of residential property.

With the increased activity in the property market on the east coast starting to put pressure on our own property market, and four other states applying their own levies that could lead to housing affordability issues here, it makes sense to apply this measure on our homes.

From 1 January 2018, a 4 per cent conveyance duty surcharge will apply to residential property purchases by foreign buyers and temporary residents.

Importantly, the surcharge will not apply to commercial and industrial property.

An estimated \$6.2 million in operating revenue is estimated in 2017–18, increasing to about \$13.3 million for the surcharge's first full-year application.

Both these measures ensure the State Government has the resources to continue to invest in job creation to help grow the economy, and both these measure are taxes no South Australian should pay.

Mr Speaker, this budget achieves many things. It is fair, it is equitable and it is focussed on what is important to the people of South Australia.

Just as we did with Our Energy Plan, we have stepped up where we have been let down by the Commonwealth.

It will ensure that our suburban hospitals are modernised centres of excellence, offering a standard of care on par with the new Royal Adelaide Hospital.

We will build new public schools to meet the demands of our growing outer suburbs and we are investing in apprentices and trainees with new grants to incentivise their employment.

This budget will enhance our neighbourhoods and improve the amenity of our suburbs. It will upgrade our sporting facilities, and provide women and girls with facilities they have for too long done without.

It will continue to enhance and expand our public education system, and it will protect and support our community's most vulnerable.

Mr Speaker, we are protecting existing jobs and trying to help our traditional manufacturers survive in tougher economic conditions.

We are backing our steel-makers in Whyalla, and supporting component manufacturers in the car industry to develop new products and markets.

We can do all this because of our prudent fiscal management that ensures we deliver a budget that has delivered our second budget surplus in a row, and projects surpluses across the next four years, meeting all our fiscal targets.

This is a Labor Budget — a budget that will grow the jobs of today and create the jobs of the future.

Mr Speaker, this is a budget that puts South Australians first.

I commend the budget to the House.

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