

# **BUDGET SPEECH 2005-06**

**DELIVERED ON 26 MAY 2005, ON THE SECOND READING OF THE APPROPRIATION BILL 2005, BY THE HONOURABLE KEVIN FOLEY MP, TREASURER OF SOUTH AUSTRALIA**

Mr Speaker,

The South Australia of today is a confident, vibrant and optimistic State.

And today's Budget reflects — and builds on — the economic and social wealth we enjoy in 2005.

It is a Budget that makes a statement about the type of State we all want to live in.

It is a budget of social justice, yet it is a budget that locks in this Government's proud record as a rigorous and responsible financial manager.

It is a Budget that delivers tax cuts not just for today but until the end of the decade.

No other Government in recent memory has been as committed as this Government to cutting taxes.

Today we can announce that tax cuts worth \$836 million will be delivered by this Government to South Australian families and businesses over the next five years.

Since coming to office, tax cuts implemented by this Government total \$1.5 billion.

At the same time Mr Speaker, we are committed to helping the most vulnerable in our community.

Through strong economic and financial management, the benefits of our State's economic boom will be shared with those most in need.

Almost \$40 million will be returned to 255 000 South Australians this year in a one-off \$150 energy rebate.

Once-off injections of \$25 million each will be delivered to the mental health and disability sectors to meet ever-increasing demand.

A further \$201 million in this budget will be dedicated to our hospitals together with \$92 million for the disabled and their families.

The priorities of this Government are laid down in *South Australia's Strategic Plan* and the 2005-2006 Budget takes us another step closer to achieving its targets.

Mr Speaker, this Budget delivers:

- Another substantial upgrade of health and community services;
- More tax cuts for families and businesses;
- Improvements to our Education system;
- A comprehensive infrastructure plan for our State;
- Increased funding for the environment;
- Increased efforts to reduce the road toll; and
- Further measures to improve law and order.

And we deliver all of this while maintaining budget surpluses, both this year and across the life of the Budget.

Mr Speaker, that is good economic management for the State.

Budget surpluses also represent good economic policy in a time of uncertainty in equity markets, a softening in the housing market and the ever-present danger of drought.

Consistent with our fiscal targets, the Budget achieves a net operating surplus in every year.

This Budget will deliver a net operating surplus of \$51 million in 2005-06, \$78 million in 2006-07, \$109 million 2007-08 and \$75 million in 2008-09.

These results extend our proud record of economic and financial management.

That means four Labor Budgets have delivered Budget surpluses.

Four Labor Budgets have reduced State Debt.

Four Labor Budgets have increased spending in Health, Education and Police.

Four Labor Budgets have put more South Australians in work than ever before.

Four Labor Budgets have delivered a Triple-A credit rating.

And after four Labor Budgets we have implemented \$1.5 billion in tax cuts.

Mr Speaker, for the first time in decades, our State is consistently living within its means.

And Mr Speaker that is good economic management of our State.

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Mr Speaker,

Our economy is in excellent shape.

The evidence for this is compelling.

More South Australians are working than at any time in our history.

And at 5.2 per cent, our unemployment rate is the lowest since official records were kept.

Between April 2004 and April 2005, 20 700 jobs were created in South Australia.

This brings the total number of jobs created since this Government came to office to 46 000.

Over the coming years, employment growth is forecast to remain solid, growing by 1.25 per cent.

And South Australia's Gross State Product is expected to grow at 2.5 per cent in 2005-06 and 2.75 per cent thereafter.

But Mr Speaker, there are more reasons for optimism and confidence.

Levels of housing and business investment are strong.

Consumer spending is healthy.

Our companies are the most innovative in Australia and with the tax cuts announced today will remain amongst the nations most competitive.

Mineral exploration is at an 18-year high and the potential of our State's mineral wealth is regarded as one of the great untapped resources in the world.

And in South Australia, there are a large number of big, wealth generating projects across many industry sectors either in progress or about to begin.

Last year KPMG found Adelaide to be the most competitive place to do business in the Asia-Pacific region and we continue to receive valuable, independent endorsements.

Just recently, the nation's peak industry body, the Australian Industry Group, declared Adelaide the most competitive capital city for manufacturing.

The Institute of Chartered Accountants, in a recent survey of small to medium businesses, found South Australian businesses to be the most confident and optimistic in the nation.

And Mr Speaker, with the tax cuts announced today, South Australian business has every reason to feel optimistic and confident about their future.

And, in 2004, international credit-rating agencies, Moodys and Standard and Poors, recognised our sound management of the economy by restoring after 14 years South Australia's Triple-A credit rating.

This meant we had achieved one of the most important targets set down in *South Australia's Strategic Plan* — and that we had done so two years ahead of schedule.

The *Strategic Plan* is living up to its promise of inspiring action and providing the State with a blueprint to achieve the goals we need to reach to ensure South Australia continues to grow and prosper.

Mr Speaker, the initiatives I present to the House today are designed to meet the objectives set down in *South Australia's Strategic Plan*.

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Recent economic gains have been substantial.

In recognition of this, the Government is sharing the gains of today with South Australians today.

Over the past six months the Government has returned the following dividends to the South Australian community:

- \$25 million for the School Pride program to accelerate the maintenance program of our public schools;
- \$30 million to provide affordable housing options for those on low to moderate incomes;
- \$20 million for land taxpayers to reflect the broad based relief that was announced by the Government in February; and
- \$25 million was allocated to our hospitals and health system to improve elective surgery and dental waiting times and for the purchase of important biomedical equipment.

Mr Speaker, this Budget builds on these earlier bonuses by returning to the community an additional \$90 million in one-off Triple-A dividends.

\$50 million in one-off grant funding will be made available to non-government organisations in each of the mental health and disabilities sectors.

Minda and Orana will receive \$17.1 million to help the disabled move back into the community and to also establish an aged care facility.

\$1.6 million will be spent purchasing 25 buses for day care to help the disabled and their families in our community.

\$19.3 million will be provided to organisations such as Uniting Care Wesley, Helping Hand, CentreCare, the Mental Health Fellowship and Beyond Blue to name a few.

This funding will be spent on programs to enable people with a mental illness to maintain their independence while receiving the necessary support from carers and family members.

Mr Speaker, \$34 million will be returned to 225 000 pensioners and self-funded retirees by way of a one-off cash bonus of \$150.

And in a further move to help those in our community most in need, the Government has extended the existing annual energy concession of \$120 to 30 000 South Australians previously overlooked at a cost of \$4 million per year.

As a further bonus these South Australians will also receive the one off \$150 energy rebate.

Mr Speaker, this Government last year increased energy concessions from \$70 to \$120.

This further one-off \$150 rebate shares the benefits of our recent economic success with those in our community who are most in need.

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Mr Speaker,

This Government has the record as a tax cutter.

The tax cuts already introduced by this Government — together with the tax cuts I will now outline — will return \$1.5 billion to South Australian taxpayers by 2010-11.

This is an impressive record by any standards.

The tax cuts announced in last year's Budget alone delivered more than \$360 million over four years to South Australian families and businesses.

Mr Speaker, in line with the Governments tax cutting agenda, a comprehensive land-tax relief package was announced in February.

Beginning on 1 July 2005 and cutting \$234 million over four years, this represents the first cut in land tax for decades.

This Budget builds on the land tax cuts announced in February.

- The tax-free threshold will be further increased from \$100 000 to \$110 000 to ensure that 45 000 land taxpayers will become exempt from land tax.
- An option to pay land tax bills in interest free quarterly instalments from the 2005-06 assessment year will be introduced.
- Land tax exemptions will be available to Supported Residential Facilities that are incorporated under the *Supported Residential Facilities Act*.

These tax cuts will now rise to \$244 million over four years.

Mr Speaker, in the face of rising fees from banks, this Budget provides tax cuts to thousands of South Australian families and businesses with the abolition of bank debits tax from 1 July 2005 — a tax cut worth over \$60 million a year.

In a further move to reduce the burden on South Australian families and businesses, this Budget contains a schedule to cut and abolish an extensive range of State taxes.

The Government has previously announced it would abolish mortgage duty on owner-occupied residential loans and refinancing from 1 January 2006.

Mr Speaker, I am pleased to announce that this Budget abolishes this tax six months earlier to take effect from 1 July 2005.

This tax cut is worth \$24 million in 2005-06 and will assist South Australian families buying or refinancing a home.

This delivers to families the equivalent of an interest rate reduction of 0.35 per cent in the first year of a new home loan.

The schedule to cut stamp duty on other mortgages will commence from 1 July 2007 and be complete by 1 July 2009.

The phased abolition of rental duty will also commence from 1 July 2007 and be complete by 1 July 2009.

Rental duty is charged on businesses that hire goods ranging from cement mixers, machinery hire, party equipment, houseboats, cars, videos and DVDs.

A schedule of further major tax cuts for both large and small business will commence over a two-year period beginning on 1 July 2009.

This includes stamp duty on goodwill on the sale of a business, considered by many as an unfair tax when buying a business.

These cuts will also abolish stamp duty when trading taxi licences, fishing licences, water licences, unlisted shares and a number of other business transactions.

Mr Speaker, the burden of tax and red tape will be lifted from thousands of businesses in South Australia so that business in our State can be more competitive.

Once these taxes have been abolished, tax cuts worth more than \$836 million will have been delivered to South Australian families and businesses.

Mr Speaker, this will bring the total tax cuts delivered by this Government to \$1.5 billion by 2010-11.

This program of tax cuts will sustain the momentum of economic growth in South Australia, reduce the burden on business and families, and create an even more competitive business environment in South Australia.

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Mr Speaker,

The Government is committed to infrastructure spending as an essential foundation for economic growth.

This commitment is reflected in our allocation of more than \$1 billion in the coming financial year in support of the priorities outlined in our recently released *State Infrastructure Plan*.

As part of this Budget, funding has been allocated for the following projects:

- \$140 million for the ship lift, dredging and construction of the maritime precinct;
- \$175 million for the Port River Expressway project;
- \$121.7 million to construct a tunnel longer than the Adelaide Hills Heysen Tunnel on South Road beneath Port and Grange roads and the Outer Harbour railway line;

- \$64.9 million to construct underpasses on South Road, beneath Anzac Highway;
- \$51 million to extend the tram line from Victoria Square to the Adelaide Railway Station and on to North Adelaide;
- \$48.5 million for the upgrade of the Eyre Peninsula water supply;
- \$5.7 million to upgrade Eyre Peninsula road and rail infrastructure — a move designed to improve efficiency in this critical grain-exporting region;
- \$4 million to upgrade the Pt Lincoln airport; and
- \$6.8 million for the redevelopment of the Oaklands Park Interchange.

Mr Speaker, this Government is also committed to supporting small business.

We will provide an additional \$4.2 million over four years to upgrade the skills and services of the Business Enterprise Centre network — the frontline support service for small business in South Australia.

\$1 million will be provided to support seminars and workshops for small business in metropolitan and regional South Australia.

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Mr Speaker,

The Government's main priority is to continually improve and upgrade our health system.

Over the next four years, this Budget provides an additional \$201 million for South Australia's hospitals and health services to meet increasing demand.

Mr Speaker, since coming to office, this Government has spent an additional \$912 million on South Australian hospitals.

This has resulted in an increase of 3158 elective surgery procedures per year when compared to 2001-02.

And we have committed \$501 million on capital works projects for our hospitals.

Today's Budget also provides a huge boost for mental health services in this State with a \$25 million, one-off, Triple-A dividend and a further \$20 million in funding over the next four years.

In addition to this funding, other key health measures in this Budget include:

- \$131.6 million in additional funding for our health system;
- \$22 million to increase the number of available places for transition care — offering intermediate care for people who would otherwise stay in hospital;
- \$13.1 million to employ additional agency nursing staff to help provide high-quality patient care in public hospitals;

- \$4.4 million for increased resources at the Tregenza Aged Care Service, which delivers health care to one of the most vulnerable sections of our community;
- \$3 million for the Patient Assistance Transport Scheme; and
- an extra \$750 000 for the implementation of a new elective surgery management strategy to reduce waiting times.

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Mr Speaker,

The Government regards the safety of South Australians on our roads and highways as paramount.

As the road toll has reduced in recent years, the tragedy of this years road toll should serve as a wake-up call to all of us.

As of yesterday there have been 64 road deaths in just the first five months of the year — 12 more than at the same time last year.

\$22 million will be spent over the next three years on the Long Life Roads program to improve the condition of the State's roads.

In an effort to combat excessive speeding — which is the biggest cause of deaths and accidents on our roads — we will introduce an extra 48 speed and red light cameras, at a capital cost of \$9.5 million.

Other road safety initiatives to be delivered include:

- \$4.3 million to implement a package of measures aimed at curbing the incidence of driving under the influence of drugs;
- \$3 million to expand the existing Rural Overtaking Lane program;
- \$2.9 million for further rail safety-related upgrades at level crossings;
- \$2.6 million for a heavy-vehicle compliance program; and
- \$1.4 million to combat speeding on rural highways.

In addition, 300 new breathalyser units, 37 hand-held laser guns for use in country areas and 16 sets of road spikes will be purchased to reduce the incidence of speed- and alcohol-related trauma on our roads.

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Mr Speaker,

In preparing this Budget, the Government has listened to the calls of the most vulnerable in our community.

In response, the Government will provide more than \$139 million of additional funding for South Australian families and community services over the next four years.

Key funding measures included in the Budget are:

- \$27.5 million in State contributions to match Commonwealth funding of the Home and Community Care Program;
- \$25 million in one-off, Triple-A dividends to non-government organisations in the disability services sector;
- \$20.2 million to expand the Moving On program;
- \$18.3 million to improve the provision of accommodation support for those with a mental disability;
- \$9.7 million toward individual packages of care and alternative care services for children with intensive needs; and
- \$3.5 million to expand eligibility under the existing Transport Subsidy Scheme.

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Mr Speaker,

School education is a critical part of *South Australia's Strategic Plan*, and the *Plan* contains a number of goals relating to literacy and numeracy.

In pursuit of these goals, since coming to office, this Government has increased spending on each child in our schools from \$7598 to \$9614.

This represents a funding increase of 26.5 per cent or over \$2000 more for every child since coming to office.

Mr Speaker, over the next four years, we will provide \$35.2 million of extra funding for education and children's services, including:

- \$22.1 million to support students with special needs;
- \$4.2 million to continue the Learning Together program; and
- \$3.5 million over four years for the Access Assistant.

Mr Speaker, the Government has been overwhelmed by the success of the Premier's Reading Challenge.

To build on that success, we will now allocate another \$1.2 million over four years to extend our target to 75 per cent of schools in 2005.

We are also budgeting for substantial improvements to the TAFE system, with an additional \$8.3 million to increase training programs by up to 150 000 hours a year.

Recognising the training needs of the Aboriginal community, we will spend \$1.7 million to support Aboriginal training programs on the APY lands.

Mr Speaker, the Government is currently in the process of negotiating with teachers and lecturers whose enterprise bargaining agreement expired in March 2005.

The Government expects negotiations will deliver a fair wage increase to teachers and lecturers and additional resources for our schools.

The Government has made an appropriate provision in this Budget, the size of which is held in contingencies and is not specifically referred to in the budget papers to ensure the negotiation process is not compromised.

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Mr Speaker,

This Budget reinforces the Government's continued commitment to environmental sustainability.

Our goal is for South Australia to be known the world over as a clean, green and sustainable place to live and work.

Building upon the Government's efforts to fix the River Murray, an additional \$2.4 million will be spent over four years to fund the operation and maintenance of the salt interception schemes along the river.

An extra \$1.4 million will fund the newly established Natural Resource Management Boards.

Recognising the crisis facing Kangaroo Island with increasing koala numbers, the Government has allocated \$4 million over four years to accelerate the successful sterilisation and relocation program.

To maintain our metropolitan beaches for the enjoyment of all South Australians, an additional \$6.2 million will be allocated to sand management activities at Glenelg and West Beach.

Mr Speaker, the Government has taken decisive action to protect the State's valuable marine scalefish fishery and ensure the ongoing sustainability of stock.

We have implemented a one-off buyback scheme targeting commercial licence holders with net endorsements as the first step in a long-term sustainability strategy.

Funding of \$6.0 million has been provided in 2004-05 for the buy-back, with an additional allocation of \$1.0 million in 2005-06.

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Mr Speaker,

Fostering creativity — in all its forms — is one of the six pillars of *South Australia's Strategic Plan*.

And the Government recognises its responsibility to create an environment conducive to creativity in sectors ranging from manufacturing to arts.

In line with this, the 2005-06 Budget contains funding for a number of new initiatives, including:

- \$9.5 million for the Wine Innovation Cluster;
- \$8 million over four years for the Mawson Institute of Advanced Manufacturing;
- \$4.7 million to establish a Defence Systems Integration Centre;
- \$2.5 million for the Australian Mineral Research Scientific Institute;
- \$1 million over four years for the State Library;
- \$1 million for the South Australian Museum in order for it to refurbish the Pacific Cultures Gallery; and
- \$650 000 in extra funding for the Adelaide Fringe Festival.

Our commitments to the arts will also deliver an additional \$2.1 million to support the Adelaide Symphony Orchestra.

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Mr Speaker,

Every South Australian family should feel safe in their own home.

*South Australia's Strategic Plan* contains targets to drastically reduce crime rates in our State.

And recent statistics shows the Government's policies have had a substantial impact on crime.

Crime in South Australia has fallen 6.5 per cent during the period April 2004 to April 2005 with offences committed against a person falling 9.6 per cent.

By mid 2006, 200 new recruits will be on the beat and, at 4000 officers, the size of our police force will be the largest in our State's history.

Mr Speaker, this Government is now spending an extra \$57 million per year on our Police force than when we came to office.

This represents a 13 per cent real increase in operational expenditure.

This Budget contains funding to further support our police and emergency services, and includes:

- \$8.6 million in additional operational funding for South Australian Police;
- \$5.2 million to implement a licensing regime aimed at controlling access to ammonium nitrate within the State;
- \$4.7 million for the purchase of a new police aircraft;
- \$4.3 million to complete the third stage of the Christies Beach Police Complex;

- \$4.1 million for additional resources in the offices of the Director of Public Prosecution and the State Coroner;
- \$3.6 million to enforce the new *Criminal Assets Confiscation Act*; and
- \$2.4 million to increase the State’s aerial fire-fighting capacity.

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Mr Speaker,

I today present to the House a rigorous and comprehensive Budget — the result of outstanding work by my Ministerial colleagues, their Chief Executives and their staff.

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

This Budget tells the story of a buoyant and structurally sound economy — an economy of growth, an economy of substance and an economy with a future.

It also tells the story of a Government doing the basics well and delivering on its promises.

It tells a story — a Labor story.

A story that Labor can be proud of.

A story of our Government delivering for all.

Delivering increased spending on health, education and police.

Delivering care to the most vulnerable.

Delivering jobs in record numbers.

Delivering tax cuts.

Delivering balanced budgets.

Delivering low levels of debt.

Delivering a Triple-A credit rating.

And delivering confidence and optimism for all South Australians.

Mr Speaker, we are a Government prepared to challenge, we are a Government prepared to reform, we are a Government that can deliver, we are a Government that governs for all.

Mr Speaker, I commend this Budget to the House.

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## APPROPRIATION BILL 2005

### 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 2005. Until the Bill is passed, expenditure is financed from appropriation 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 the 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.