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2005-06 BUDGET AT A GLANCE

This budget maintains the sound financial position of the State. It delivers significant tax cuts, and builds on the previously announced land tax relief. It also delivers more spending in priority areas such as health, road safety and justice.

In 2004 South Australia achieved its target of a credit rating upgrade to triple-A.

The Government's sound financial management over recent years has resulted in South Australia's net debt declining to very low levels.

Lower debt means the Government has more spending flexibility; particularly for major infrastructure needs.

South Australia's sound financial position has enabled the Government to modify its budget strategy.

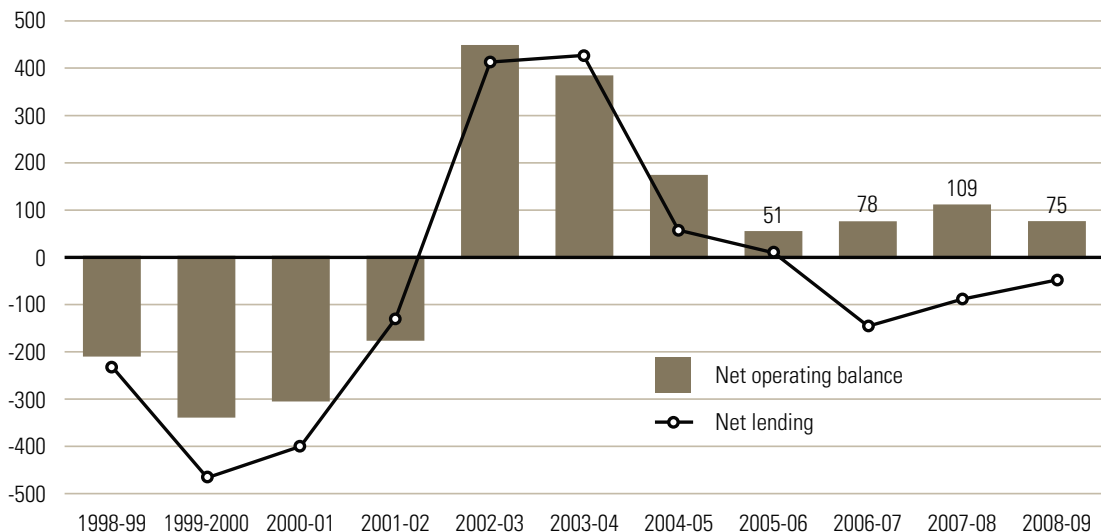
The revised strategy ensures:

- current year expenses will be met by current year revenues;
- high priority infrastructure works can be funded;
- the sound financial position of the State will be maintained; and
- the capacity of the State to fund future commitments such as superannuation will be assured.

In achieving these outcomes the 2005-06 Budget has also provided for tax cuts and additional priority spending, in particular health, road safety and justice.

Looking ahead, revenue growth will be constrained due to the abolition of IGA taxes and the softening in the housing market. This will require the Government to remain focussed on the efficiency of existing service provision and the priorities of new expenditure demands.

General government budget surplus/deficit 1998-99 to 2008-09 (\$ million)



1998-99 to 2003-04 reflect actual results; 2004-05 to 2008-09 reflect estimates as at the 2005-06 Budget.

2005-06 BUDGET AT A GLANCE



General government debt is forecast to remain at historically low levels.

The Government's focus in previous years has been to strengthen its balance sheet. A stronger balance sheet allows the Government the flexibility of borrowing in order to fund high priority infrastructure.

Net financial liabilities includes net debt, unfunded superannuation liabilities and other liabilities such as long service leave entitlements.

The lower the ratio of net financial liabilities to revenue, the stronger is the State's balance sheet. South Australia's ratio is higher than that of other triple-A states, except Victoria.

Net financial liabilities will rise modestly in coming years, largely due to increasing unfunded superannuation liabilities. Net debt will remain at very low levels.

The South Australian Government will fully fund superannuation liabilities by 2034.

The ratio of net financial liabilities to revenue is expected to continue to decline. This will help entrench South Australia as a triple-A state.

General government debt indicators (\$ million)

	2004-05 Estimated result	2005-06 Budget	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
Net debt	174	127	201	209	196
Net debt plus unfunded superannuation	6 678	6 696	6 829	6 884	6 908
Net financial liabilities	8 666	8 629	8 800	8 913	8 989
Net financial liabilities to revenue (%)	82.9	80.5	80.2	78.9	77.8

Net financial liabilities to revenue (%): Triple-A jurisdiction comparison^(a)

	2004-05	2005-06	2006-07	2007-08	2008-09
New South Wales	64	63	62	60	na
Victoria	61	85	87	86	84
Queensland	-6	-4	-1	0	na
Western Australia	48	50	51	50	na
South Australia	83	81	80	79	78
Australian Capital Territory	38	53	57	55	51

(a) Data for Victoria and Australian Capital Territory are based on information contained in their 2005-06 Budget papers. Other States' data have been sourced from 2004-05 Mid-Year Budget Review papers.

DIVIDENDS FROM CONTINUED ECONOMIC GROWTH

Sustained economic growth during 2004-05 has allowed substantial investment in priority areas of social need.

Energy Concessions

A one-off \$150 bonus payment will be made to South Australians currently receiving an annual concession at a total cost of \$34.1 million in 2004-05. Over 225 000 South Australians will benefit from this concession.

Concessions will be extended to an additional 30 000 recipients from 2005-06 at a cost of \$3.6 million per annum. The \$150 electricity bonus will also be extended to these recipients at a cost of \$4.6 million in 2005-06.

Mental Health Services

An additional \$25 million will be provided for mental health services in 2004-05, comprising:

- \$19.3 million for mental health recovery and support in the community; and

- \$5.7 million to support GPs in primary health care activities.

Disability Services

An additional \$25 million will be provided for disability services in 2004-05, including;

- \$17.1 million for Minda and Orana to assist people in moving from institutional care to supported community life and to establish and aged care facility;
- \$1.6 million for the purchase of 25 buses for day care providers; and
- a range of grants to non-government organisations such as the Down Syndrome Society, Autism Association, Novita Children's Services and Siblings Australia to assist the disabled and their families within the community.

Community Beneficiaries

Energy Concessions

In addition to the existing 225 000 recipients, extended eligibility criteria will deliver a concession to a further estimated 30 000 recipients of the following benefits:

- NewStart Allowance;
- Youth Allowance;
- Widow Allowance;
- Sickness Allowance;
- Special Benefit;
- New Enterprise Incentive Scheme;
- Community Development Employment Program; and
- Austudy and Abstudy.

Disability Services

In addition to the recipients noted above, beneficiaries will include:

- 122 non-government service providers;
- the Family Partnerships program;
- Novita Children's Services, who will receive \$600 000 to again clear the waiting lists; and
- Guide Dogs for the Blind, The Royal Society for the Blind and Novita Children's Services for minor capital works.

Mental Health Services

One-off mental health grants in 2004-05 will help a range of non-government organisations to deliver support, including:

- Uniting Care Wesley;
- Helping Hand;
- The Mental Illness Fellowship;
- Centacare; and
- Beyond Blue.

TAX RELIEF MEASURES

The budget has delivered tax cuts which when fully implemented in 2010-11, together with tax relief measures introduced in the 2004-05 Budget, will have delivered \$1.5 billion to business and the wider community.

From 1 July 2005

- Land tax reduction package applies;
- Debits tax abolished; and
- Mortgage duty on loan refinancing, residential loans for owner occupation and mortgage discharges abolished (brought forward from 1 January 2006).

From 1 July 2006

- Various minor stamp duties (eg deeds) abolished.

From 1 July 2007

Phased reductions in stamp duty rates for:

- Remaining mortgage duty; and
- Rental duty.

Full abolition by 1 July 2009.

From 1 July 2009

Stamp duty rates halved for:

- Non-realty property transfers; and
- Non-quoted marketable securities.

From 1 July 2010

Stamp duty rates abolished for:

- Non-realty property transfers; and
- Non-quoted marketable securities.

Summary of tax relief measures (\$ million)

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Abolition of debits tax	-55.8	-61.5	-62.1	-62.7	-63.3	-63.9
Land tax	-58.0	-60.1	-61.7	-64.2	-66.8	-69.5
Abolition of mortgage duty on:						
loan refinancing, residential loans for owner occupation and mortgage discharges	-23.6	-27.2	-28.5	-30.1	-31.8	-33.4
all other mortgage transactions ^(a)	-	-	-16.1	-35.5	-56.9	-61.9
Abolition of rental duty	-	-	-5.6	-12.3	-19.7	-21.3
Abolition of minor stamp duties	-	-0.3	-0.4	-0.4	-0.5	-0.5
Abolition of stamp duty on:						
non-realty property transfers ^(b)	-	-	-	-	-16.2	-34.8
non-quoted marketable securities	-	-	-	-	-3.0	-6.7
Total	-137.4	-149.1	-174.4	-205.2	-258.3	-292.1

Totals may not add due to rounding.

(a) Includes mortgages by business and persons other than for own home.

(b) Includes stamp duty on goodwill when selling a business, water licences, taxi licences and fishing licences.

LAND TAX

The Government's land tax reduction package will result in 45 000 land tax payers becoming exempt from land tax and provide relief to a further 74 000 land tax payers. The package also includes further exemptions and a quarterly instalment payment option.

The Government announced in February 2005 that immediate tax relief would be provided to land tax payers in 2004-05 through the provision of land tax rebates. This is estimated to benefit 109,000 land tax payers at a cost of \$20 million.

The Government also announced ongoing land tax relief will be provided from 2005-06 as follows:

- Tax-free threshold raised from \$50 000 to \$100 000;
- Land tax brackets and rates adjusted to provide broad-based relief;
- Introduction of specific land tax exemptions for home-based businesses, residential parks and caravan parks; and
- Broader access to a primary production exemption in defined rural areas.

The tax-free threshold will now be lifted further to \$110 000, supported residential facilities will also be exempt and taxpayers will be given an option to pay land tax on a quarterly basis.

The maximum benefit from the new rate structure is \$2 880 for land ownerships valued between \$550 000 and \$750 000 (total taxable site value).

The land tax reduction package is estimated to cost \$58 million in 2005-06 and \$264 million over the five years from 2004-05 to 2008-09.

2005-06 land tax structure

Taxable Site Value	Tax applicable ^(a) (%)
\$0 to \$110 000	0
\$110 001 to \$350 000	\$0 + 0.30
\$350 001 to \$550 000	\$720 + 0.70
\$550 001 to \$750 000	\$2 120 + 1.65
\$750 001 to \$1 000 000	\$5 420 + 2.40
Over \$1 000 000	\$11 420 + 3.70

(a) Marginal tax rates apply to the excess above the lower limit of the taxable site value range.

Benefit to land tax payers

Taxable Site Value	Benefit
\$100 000	\$175
\$200 000	\$255
\$300 000	\$305
\$400 000	\$1 455
\$500 000	\$2 405
\$600 000	\$2 880
\$700 000	\$2 880
\$800 000	\$2 505
\$900 000	\$1 755
\$1 000 000	\$1 005

TAXES ABOLISHED



The Government will abolish a range of state taxes that will provide significant relief to both business and the wider community.

The State Government has set out a schedule of significant reductions in a range of taxes.

- Debits tax on withdrawals from cheque drawing accounts will be abolished from 1 July 2005.
- Mortgage duty on loan refinancing, residential loans for owner occupation and mortgage discharges will be abolished from 1 July 2005 (earlier than the previously announced 1 January 2006).
- Stamp duty on all other mortgages will be phased out between 1 July 2007 and 1 July 2009.
- Rental duty will be phased out between 1 July 2007 and 1 July 2009. Current rates are 0.75 per cent for equipment finance arrangements and 1.8 per cent for all other forms of rental.
- Transactions that currently attract a \$10 stamp duty fee, such as deeds, will be exempt from 1 July 2006.
- Stamp duty rates on non-realty property transfers and non-quoted marketable securities will be halved from 1 July 2009 and abolished from 1 July 2010.

Benefit to taxpayers from abolition of mortgage duty on home loans for owner occupiers

Value of mortgage	Benefit to tax payers
\$50 000	\$164
\$100 000	\$339
\$200 000	\$689
\$300 000	\$1 039
\$400 000	\$1 389
\$500 000	\$1 739
\$750 000	\$2 614
\$1 000 000	\$3 489

Rental duty benefits

Examples of rental activities which will no longer be taxable:

- Plant and equipment hire
- Industrial machinery hire
- Computer hire
- Houseboat hire
- Motor vehicle hire
- Communication equipment hire
- Video and DVD hire

TAX PER CAPITA: INTERSTATE COMPARISON

The Government is committed to maintaining equitable and competitive taxation arrangements.

South Australia is a relatively low tax jurisdiction in terms of tax per capita (fourth lowest in 2004-05).

This is before taking account of tax measures introduced in the 2005-06 Budget which deliver significant tax relief.

Tax per capita: 2004-05^(a)

Australian Capital Territory	\$2 271
New South Wales	\$2 252
Victoria	\$2 071
Western Australia	\$1 945
South Australia ^(b)	\$1 824
Queensland	\$1 690
Northern Territory	\$1 463
Tasmania	\$1 409
All states and territories	\$2 008

(a) Based on taxation revenue estimates published in Mid-Year Review documents for all states and territories except Victoria, South Australia, Tasmania and the two Territories where 2005-06 Budget papers have been used. Population estimates published as part of the 2005-06 Commonwealth Budget have been used.

(b) Taxation revenues for South Australia have been adjusted to remove land tax paid by South Australian public sector entities.

DELIVERING THE GOVERNMENT'S SOCIAL AND ECONOMIC OBJECTIVES



This budget continues to support the objectives and targets in South Australia's Strategic Plan.

The budget shows the Government balancing its social and economic objectives.

The budget continues to address the key objectives of South Australia's Strategic Plan, which will guide South Australia's development over the next decade.

South Australia's Strategic Plan focuses on six interrelated objectives:

- Growing prosperity;
- Improving wellbeing;
- Attaining sustainability;
- Fostering creativity;
- Building communities; and
- Expanding opportunity.

The 2005-06 Budget includes multilateral initiatives where programs across a number of agencies are all directed at a common goal.

Collaboration and cooperation between the agencies maximises the overall impact of the initiatives.

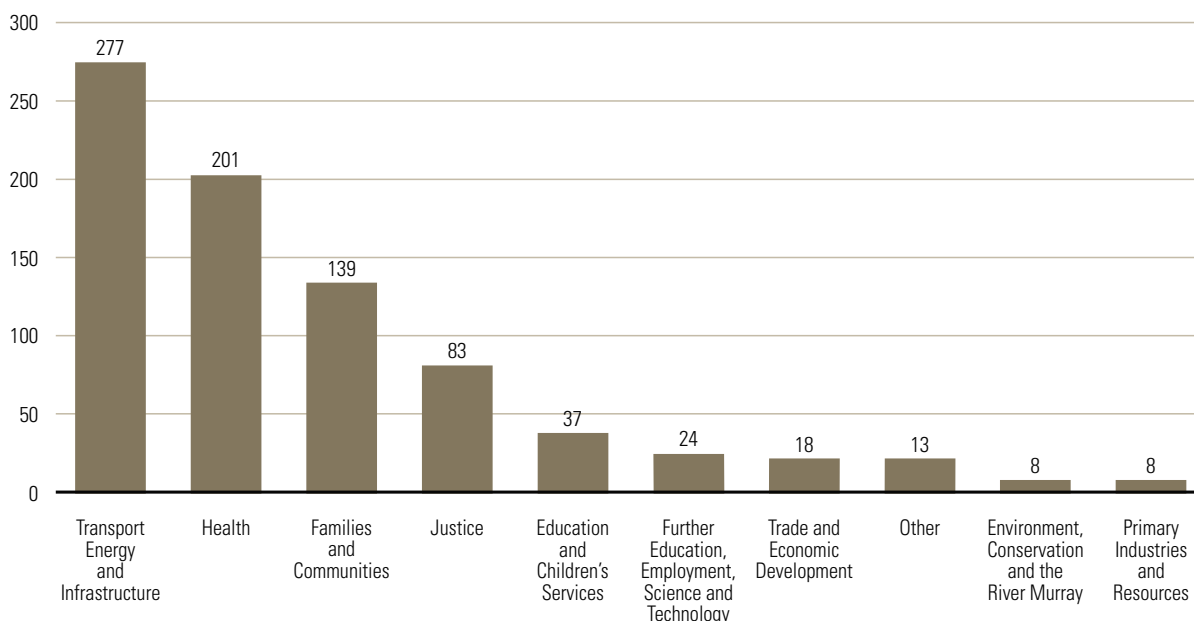
Multilateral initiatives of this type include:

- Road safety;
- Social inclusion;
- Public order and safety;
- Skills and business support;
- Science and innovation; and
- Environment.

Substantial funding has been included in the budget for transport infrastructure, identified under the Strategic Infrastructure Plan for South Australia.

Significant funding has also been provided for the State's health system.

New net spending by portfolio (\$ million over four years)



SOUTH AUSTRALIA'S STRATEGIC PLAN: GROWING PROSPERITY

Major investments in the transport network will substantially improve the State's infrastructure, supporting economic development and growing prosperity.

Following the \$197 million allocated in the 2004-05 Budget, new projects of \$280 million (over the forward estimates) are contained in the 2005-06 Budget.

- \$122 million to construct the South Road tunnel at Port and Grange Roads extending under the Outer Harbor railway line;
- \$65 million for an underpass at the intersection of South Road and Anzac Highway;
- \$51 million to extend the Glenelg tram line to the Adelaide Railway Station and north to Brougham Place;
- \$7 million for a bus and rail interchange near the Marion Shopping Centre; and
- \$5.7 million for a significant upgrade of grain transport facilities on Eyre Peninsula.

The investigation into extending the Noarlunga rail line to Seaford, as announced in the Strategic Infrastructure Plan for South Australia, will be undertaken. If feasible, construction will commence during the second five-year period of the plan.

Further measures to support economic growth in South Australia over four years, include:

- \$4.7 million to establish a Centre of Excellence in Defence Industry Systems Capability;
- \$4.2 million to expand the activities of Business Enterprise Centres to further assist small business; and
- \$2.5 million in 2005-06 for infrastructure and support facilities to establish the Australian Mineral Science Research Institute at Mawson Lakes.

The Strategic Infrastructure Plan for South Australia

This is a plan to take South Australia through the coming decade and beyond. It covers all aspects of the State's infrastructure.

The plan sets both broad and specific priorities and marks the Government's resolve to meet them, but it is not chiselled in stone. It is a living, unfolding plan that will grow and change over time to meet new challenges and take up new opportunities.

Infrastructure Priorities

- Invest in transport infrastructure
- Invest in advanced technologies
- Invest in skills and innovation
- Manage our built assets well
- Match our health and social services to meet community needs
- Ensure our energy, water and land supplies are sustainable

SOUTH AUSTRALIA'S STRATEGIC PLAN: IMPROVING WELLBEING



This budget provides immediate support for health services and gives significant funding to reduce our road toll.

The budget continues the investment in the State's health system. \$2 710 million will be directed to support the delivery of health services in 2005-06.

Over the next four years, \$201 million will be spent on new health initiatives to improve health services, including:

- \$132 million for metropolitan hospitals;
- \$22 million for transition care for the aged, enabling a further 86 places to be created;
- \$20.8 million for mental health to provide additional resources for community support and home treatment;
- \$3.8 million for the Oakden Mental Health Facility; and
- \$1.4 million to support the delivery of vaccination programs in schools.

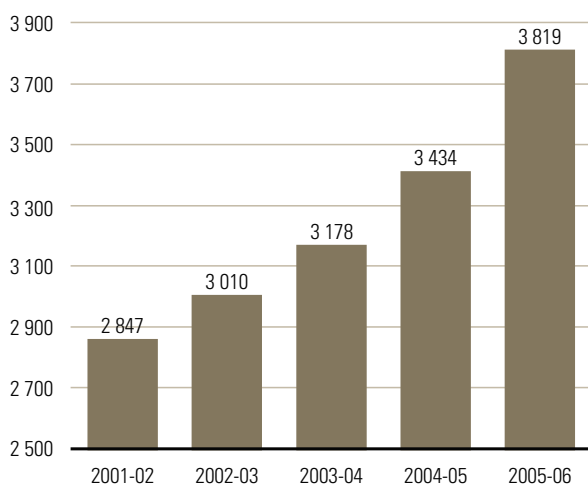
South Australia's Strategic Plan targets a 40 per cent reduction in road fatalities by 2010. A major road safety program targeting speeding and traffic light offences is included in this budget at a cost of \$35.6 million over four years.

Other road safety initiatives over the next four years include:

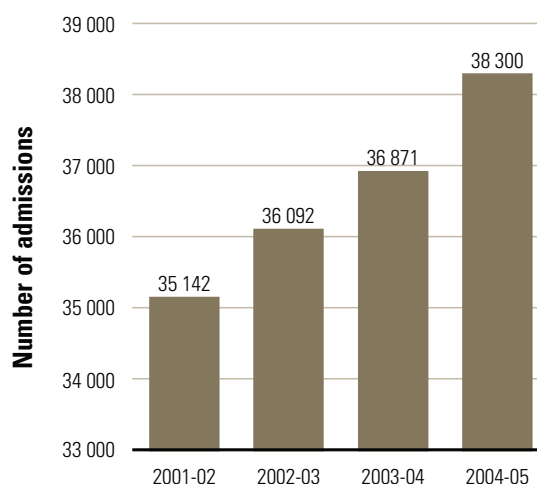
- \$22 million to improve the quality of South Australia's road network;
- \$4.3 million to implement a package of measures to reduce the incidence of driving under the influence of drugs;
- \$2.9 million for rail safety upgrades to level crossings;
- \$2.6 million for a heavy vehicle compliance program; and
- \$1.4 million to combat speeding on rural highways.

Increased provision for services

Health, Families and Communities Spending (\$ millions)



Elective Surgery



SOUTH AUSTRALIA'S STRATEGIC PLAN: FOSTERING CREATIVITY

The establishment of the Carnegie Mellon University will enhance Adelaide's reputation for innovation and research.

The 2005-06 Budget provides assistance to Carnegie Mellon University to establish a physical presence in Adelaide. The University will serve as a focal point for Adelaide as a destination for achieving quality internationally recognised degrees and research.

\$8 million over four years is provided to establish the Mawson Institute for Advanced Manufacturing, a joint venture between UniSA and the CSIRO to be located at Mawson Lakes.

Arts events and cultural institutions within South Australia are supported with an additional \$4.1 million being provided over four years to support various initiatives, including:

- \$1 million for the restoration of the SA Museum's Pacific Cultures Gallery;

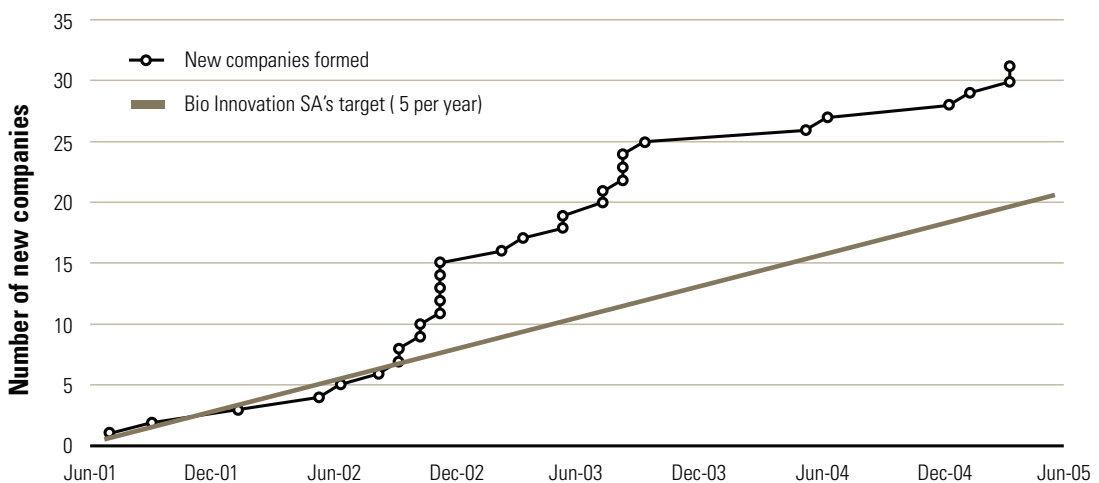
- \$1 million for the State Library to build on the recent major redevelopment; and
- \$0.7 million for the Adelaide Fringe Festival to ensure its continuing viability.

In addition, \$9.5 million has been provided over two years to fund the creation of the new Wine Innovation Cluster.

The Cluster will bring together the State's viticulture and wine research capabilities, providing benefits to all South Australian viticulture and wine making regions.

The operations of the Adelaide Symphony Orchestra will be supported over the next four years with an allocation of \$2.1 million in 2004-05.

SA Bioscience Companies Formed 2001-2005



SOUTH AUSTRALIA'S STRATEGIC PLAN: ATTAINING SUSTAINABILITY

This budget continues to recognise the importance of sustainably managing our energy needs, our coastlines and the health of the River Murray.

The 2005-06 Budget supports existing programs and invests new funds in environmental management.

Major new initiatives over the next four years include:

- \$6.2 million for sand management along the metropolitan Adelaide beach system;
- \$4 million to implement a sustainable long-term sterilisation and relocation strategy for the management of koala populations on Kangaroo Island;
- \$2.7 million to establish the Australian Energy Market Commission and to investigate ways to manage the State's future peak energy demands;
- \$2.4 million for the River Murray salt interception schemes to reduce salt loads from natural groundwater inflow, mallee clearing and irrigation development from reaching the floodplain and the River Murray;

- \$1.8 million in 2005-06 toward a number of projects along the River Murray in South Australia, that will provide a range of environmental benefits; and
- \$1.4 million to expand support to the Natural Resources Management Boards.

A further \$1 million has been provided in 2005-06, in addition to the \$6 million allocated during 2004-05, to buy back commercial marine scale fish net licences. This will protect fish stocks that are under serious threat and reduce commercial fishing to more sustainable levels.

Natural Resources Management

The *Natural Resources Management Act 2004* establishes a new structure for achieving ecologically sustainable development in a more efficient and effective manner.

It comprises the Natural Resources Management Council and eight regional boards which, with support from their local communities, will develop regional plans to maintain and improve their local environment.

Natural resource management includes:

-
- | | |
|---------------------|---------------------------------|
| • soil conservation | • weed control |
| • salinity control | • biodiversity enhancement |
| • animal pests | • management of water resources |
-

SOUTH AUSTRALIA'S STRATEGIC PLAN: EXPANDING OPPORTUNITY

This budget provides strong support for the Government's social justice agenda, particularly for those with special needs and older South Australians.

The 2005-06 Budget provides significant funding to support services for disadvantaged South Australians. Additional funding over the next four years includes:

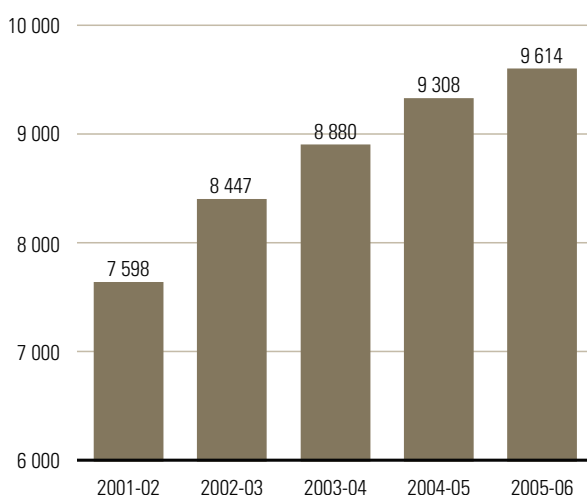
- \$71.6 million to expand Home and Community Care program services to assist frail older people and their carers to live independently and improve their quality of life;
- \$20.2 million to expand the Moving On program. This supports school leavers with severe intellectual disabilities to attend meaningful activities during the day, while providing families and carers with respite from the demands of caring;
- \$18.3 million for provision of in home support services for people with disabilities, including psychiatric disability;
- \$9.7 million for alternative care services to support children with complex needs and young people under the Guardianship of the Minister.

Other initiatives expanding the opportunities for South Australians include (funding over four years):

- \$22.1 million for additional educational support for students with high needs;
- \$8.3 million to boost skills development by increasing the level of TAFE core training hours;
- \$4.2 million to continue the Learning Together program to strengthen relationships with families who may be disengaged from schooling;
- \$3.5 million to expand concession eligibility under the Transport Subsidy Scheme. This will allow 5000 more people to use the access cab system for the first time;
- \$1.7 million to continue the development of skills on the Anangu Pitjantjatjara Yankunytjatjara (APY) lands; and
- \$1.2 million to expand the Premier's Reading Challenge.

Increased spending for schools

Spending per student (\$)



Teachers' enterprise bargaining

The Government is currently in the process of negotiating with teachers and lecturers whose enterprise agreement expired in March 2005. The Government expects negotiations will deliver a fair wage increase and additional resources for schools. Appropriate provisions have been made in this budget, which are not explicitly reflected in the budget papers to ensure the negotiation process is not compromised.

SOUTH AUSTRALIA'S STRATEGIC PLAN: BUILDING COMMUNITIES



The 2005-06 Budget continues the focus of providing support for South Australian communities, through additional funding for police and emergency services.

An additional \$8.6 million has been allocated to assist in providing essential police services.

Further additional funding for police services, over four years, includes:

- \$4.7 million to enhance police response to incidents in regional South Australia by improving the capability of the additional police aircraft announced in the 2004-05 Budget; and
- \$4.3 million to upgrade the Christies Beach Police Complex.

A licensing regime will be implemented at a cost of \$5.2 million, to control access to ammonium nitrate within the State.

Substantial additional funding, over four years, has also been provided for other emergency services priorities:

- \$4.1 million to support the Royal Flying Doctor Service base in Port Augusta;
- \$4.1 million for the replacement of CFS and SES emergency service vehicles; and
- \$2.4 million to increase the State's aerial fire fighting capacity.

Additional funding of \$4.1 million has been provided over four years for the Director of Public Prosecutions and the State Coroner's Office.

In addition, \$2.5 million for sporting and recreational community facilities has been provided in 2004-05.

Reducing the incidence of crime

Crime in South Australia has fallen 6.5% in the period from April 2004 to April 2005.

Recorded declines include:

-
- offences against a person – down by 9.6%
 - serious assault – down by 12.8%
 - assault on police – down by 30.5%
 - robbery – down by 20.2%
 - offences against a property – down by 6.1%
 - theft and illegal use of motor vehicles – down by 3.4%
 - serious criminal trespass (at residence) – down by 16.5%
-

REGIONAL INITIATIVES

The 2005-06 Budget continues to strengthen regional communities and their infrastructure.

The 2005-06 Budget provides more than \$115 million, over the next four years, in funding to regional areas. Initiatives include:

- \$6 million to extend the Regional Development Infrastructure Fund for a further two years to establish strategic infrastructure within regional communities;
- \$5.4 million to re-establish fire affected farm businesses on lower Eyre Peninsula and to protect biodiversity in the area;
- \$4.2 million to improve protection of Aboriginal heritage and provide greater clarity and certainty for developers with regard to their obligations under the *Aboriginal Heritage Act*;
- \$4 million to upgrade the Port Lincoln Airport;
- \$3 million in 2005-06 to expand the Rural Overtaking Lanes program;
- \$2.8 million for a 24 hour marine radio monitoring service to enhance marine safety;
- \$2.5 million over four years for increased operational support for the CFS;
- \$2 million to expand current marketing campaigns, which will include targeted promotion of regional South Australia; and
- \$1 million to establish a visitor information centre at the new Adelaide Airport to encourage visitors to travel to regional areas.

The Eyre Peninsula water supply project has been increased from \$25.2 million to \$48.5 million, of which \$31 million is expected to be spent in 2005-06.

Additional one-off support of \$1.3 million has also been provided in 2004-05 for the replacement of country school buses.

Regional school funding

The 2005-06 Budget allocates additional funding for regional schools, which include:

- Birdwood High School (\$4.7 million)
- Kapunda High School (\$2.3 million)
- Pipalyatjara Anangu School (\$1.5 million)
- Ernabella Anangu School (\$0.8 million)
- Nuriootpa High School (\$3.6 million)
- Victor Harbor High School (\$5.0 million)

ECONOMIC HIGHLIGHTS

The South Australian economy continued to perform solidly during 2004-05, with the unemployment rate reaching its lowest level since the mid-1970s. Some slowing in demand growth is anticipated during 2005-06.

In recent years the South Australian economy has grown strongly, particularly consumer spending, private business investment and housing investment.

Reflecting this, trend employment reached a record high in April 2005 and the trend unemployment rate fell to 5.2 per cent, its lowest level since the mid 1970s.

During 2004-05 signs emerged that growth in domestic demand has started to moderate from the above trend growth rates of recent years. Growth in consumer spending slowed from very high levels, and housing construction activity started to decline.

The overall rate of State economic growth (GSP) is estimated to be 2.5 per cent in 2004-05, down from 4.3 per cent in 2003-04, largely due to the impact of a much reduced crop harvest.

In 2005-06 economic growth is forecast to remain at 2.5 per cent. Weaker domestic demand growth in 2005-06, resulting from slower growth in consumer spending and reduced housing construction, is anticipated to be offset by strengthening exports, assuming a return to average seasonal conditions in the rural sector. The lack of rainfall to date is a risk to this outlook.

Business investment is expected to remain at high levels in 2005-06.

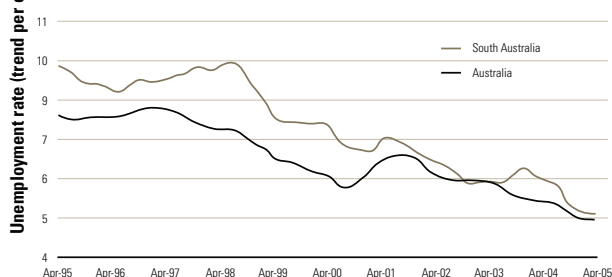
Employment growth is forecast to be 1.25 per cent for 2005-06.

In the years 2006-07 to 2008-09 economic growth is projected to be 2.75 per cent per annum.

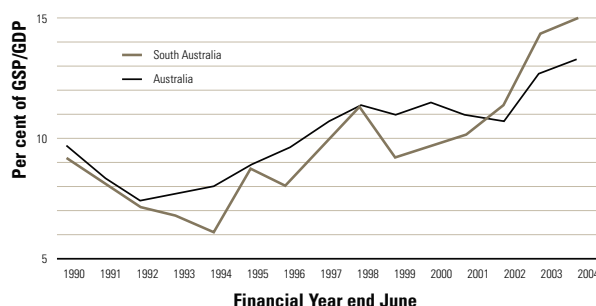
Key assumptions underlying the budget and forward estimates — South Australia

	2004-05 Estimate	2005-06 Forecast	2006-07 Projection	2007-08 Projection	2008-09 Projection
Gross State Product - Real Growth (%)	2.50	2.50	2.75	2.75	2.75
State Final Demand - Real Growth (%)	3.75	2.50	2.75	2.75	2.75
Employment - Growth (%)	1.75	1.25	1.00	1.00	1.00
CPI (%)	2.50	2.75	2.50	2.50	2.50

Unemployment rates for South Australia and Australia — trend, per cent



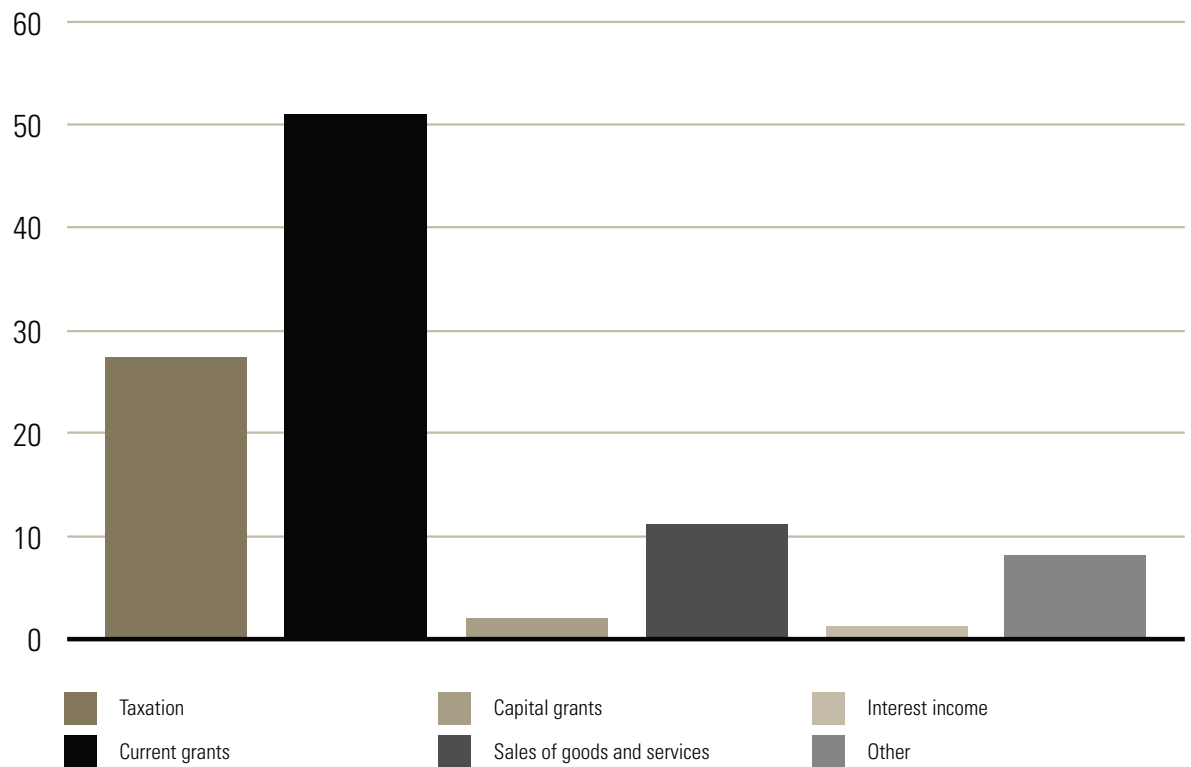
Private investment spending as a percentage of GSP/GDP — real, per cent



REVENUE BY SOURCE

Commonwealth grants continue to be the largest source of Government revenue and are expected to make up around 52% of the Government's revenue in 2005-06. Government own source revenues, including taxation revenue and sales of goods and services, account for 48% of the Government's total revenue.

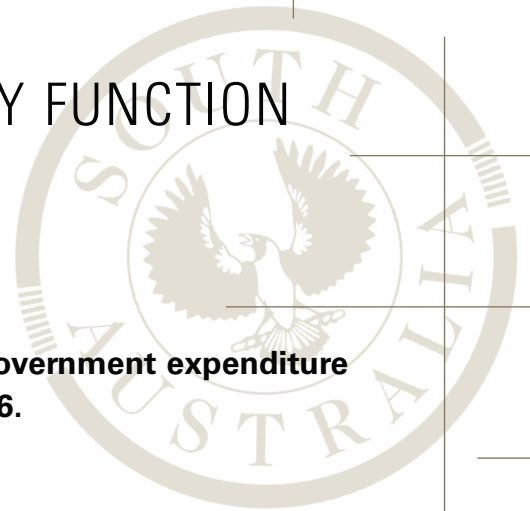
2005-06 General government revenue by source (%)^(a)



Total general government revenue in 2005-06 is expected to be \$10 721 million.

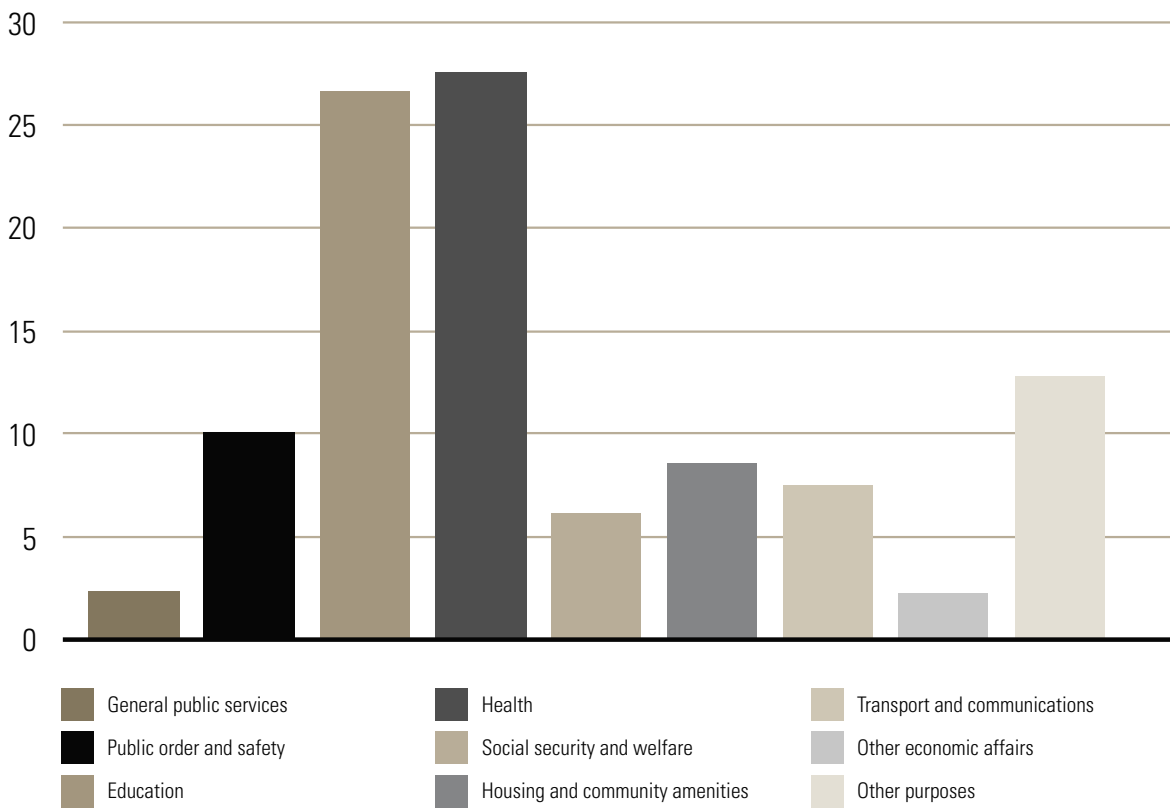
(a) Commonwealth grants appear as both current grants and capital grants in this chart. Commonwealth grants represent 99% of current grants and 99% of capital grants.

EXPENSES BY FUNCTION



Health and education continue to be the largest areas of government expenditure and account for more than half of total expenses in 2005-06.

2005-06 General government expenses by purpose (%)



Total general government operating expenses in 2005-06 are expected to be \$10 670 million.

GUIDE TO THE 2005-06 BUDGET PAPERS

1 Budget Overview 2005-06

The Budget Overview provides a summary of the 2005-06 Budget. This document highlights the key features of the budget and provides an overview of budget initiatives.

2 Budget Speech

The Treasurer's budget speech, as delivered by the Hon Kevin Foley MP in Parliament on 26 May 2005.

3 Budget Statement

The Budget Statement presents budget and financial information for the South Australian Government. It includes an analysis of the Government's fiscal strategy, budget expenditure and revenue initiatives, budget priorities, intergovernmental finances, the management of the Government's assets and liabilities and matters associated with the State's economy. The Budget Statement also includes the budget and forward estimates presented in accordance with the *Uniform Presentation Framework*.

4 Portfolio Statements

Portfolio Statements present detailed information on each of the Government's portfolios. They include information on the revenue, expenses and performance of each portfolio as well as information on specific government agencies.

5 Capital Investment Statement

The Capital Investment Statement summarises the Government's total capital investment program. It includes information on capital investment by portfolio, with details of planned and current investment projects.

6 Regional Statement

The Regional Statement provides an overview of new programs and services that will impact specifically on regional areas.