

BUDGET SPEECH 2004-05

DELIVERED ON 27 MAY 2004, ON THE SECOND READING OF THE APPROPRIATION BILL 2004, BY THE HONOURABLE KEVIN FOLEY MP, TREASURER OF SOUTH AUSTRALIA

Mr Speaker

I present this, my third budget, to a **strong, confident and growing** South Australian community.

Today I will outline a comprehensive range of initiatives that will make our State a better place to live, a better place to raise a family, a better place to work and a better place to do business.

Mr Speaker, this Government believes in South Australia. We believe in the people of this State and their potential to grow and prosper.

That's why earlier this year we published a Strategic Plan for the State, setting out a range of ambitious targets for our future.

The Plan is designed to set a direction and importantly, sets benchmarks so that we can measure our progress along the way.

Mr Speaker, this year's State Budget — and subsequent Budgets — will help to achieve the objectives set out in the Plan.

As with my first two Budgets, this Budget continues to deliver better services in the key areas of health, education, policing, economic development and the environment.

It will also deliver tax cuts to business and gives extra help to first home buyers....the first significant help for many years.

It will do all this and still deliver a healthy surplus next year and across the forward estimates.

Mr Speaker, this Budget is the result of good economic management...and as the Federal Treasurer has been saying a lot recently, that doesn't happen by accident.

Mr Speaker the South Australian economy has continued to perform strongly in 2003-2004.

Consumer spending, and business and housing investment have driven strong demand growth while recovery from drought has boosted production in the rural sector.

Since the Government assumed office, employment in South Australia has grown by 27 000 and the unemployment rate has, at times, reached 25-year lows.

Like many independent commentators and the Federal Government, the State Government expects economic growth to ease in 2004-2005 following the one-off boost from the farm sector, and moderating housing construction and business investment.

However, overseas exports are expected to partly offset softer domestic demand growth as the world economy strengthens through 2004-2005.

South Australia's Gross State Product is forecast to grow by 2.5 per cent in 2004-2005 while employment growth is expected to ease to 0.75 per cent.

Mr Speaker, these forecasts underline the need to remain prudent. Our fiscal policies reflect that need.

For the first time in decades, the State is consistently living within its means.

This is good economic management.

The 2004-2005 Budget will deliver a surplus of \$52 million, rising to \$126 million in 2005-2006, then \$137 million in 2006-2007 and \$165 million in 2007-2008.

When we first came to office, general government net debt was \$1.3 billion. On current projections, general government net debt will be eliminated in 2006-2007.

And that too, is good economic management.

This strong fiscal outlook is another step towards achieving a Triple-A credit rating, a key target identified in the State Strategic Plan.

Mr Speaker this Government has made an enormous effort to target and direct expenditure to the areas of greatest need. These are healthy and safe families, education and infrastructure.

These are the priorities of Labor. They have always been the priorities of Labor and they will remain the priorities of Labor.

Mr Speaker, this Labor Government has significantly increased spending since it came to office in 2002.

Indeed, a comparison between the last Liberal Budget of 2001-2002 and the 2004-2005 Budget shows that Labor has increased total spending by 14.3 per cent since coming to office or approximately \$1.3 billion.

During the 2003-2004 financial year the Government made a number of significant organisational and funding decisions regarding the delivery of health, welfare and family services.

The 'super department' concept for the Department of Human Services was unworkable. Its structure meant that, in the past, money wasn't spent as effectively as it should have been to deliver frontline services.

So we have split Human Services to create the Department of Health and the Department of Families and Communities.

Over the next four years, this Government will provide \$548 million of additional operating funding for health and family care.

Mr Speaker, that is over half a billion dollars in extra money that this government is committing to our hospitals, our kids and our families.

The health and family services sector will also receive additional funding for capital works of \$55 million bringing the total capital works figure for 2004-2005 to \$270 million.

Additional health spending in this Budget includes:

- \$60 million a year to enhance metropolitan hospital services and support increased activity levels;
- \$30 million over four years for the Flinders Medical Centre emergency department; and
- \$8 million over four years for elective surgery and \$4.5 million over four years for dental care.

The Patient Assistance Transport Scheme will receive an additional \$1.7 million while more than \$27 million in additional funding will be spent over the next four years on a patient record system.

In line with recommendations in the Generational Health Review, we will spend \$20.5 million to provide alternatives to hospital where such a course is beneficial to the patient. This is a win-win initiative, because it allows a patient who doesn't need to be in hospital to receive treatment at home and it frees up a hospital bed for someone else who really needs it.

Mental health reform initiatives will receive an additional \$13.8 million.

\$27.7 million will be used to improve mental health facilities at The Queen Elizabeth, Noarlunga, Women's and Children's, Lyell McEwin and Modbury hospitals and begin the replacement of existing facilities at Glenside and Hillcrest.

The Government is also contributing funding towards the \$14.5 million Flinders Medical Centre Cancer Care facility.

Mr Speaker, nothing is more important than the safety of our children. As I have already said, this Government has made child protection a priority.

And our words are matched by action.

This budget provides additional funding of \$148 million over four years for child protection...and it comes on top of the extra \$58.6 million in last year's Budget.

Specific programs, in accordance with the recommendations of the Layton child protection review include:

- improvements to alternative care;
- additional counselling and therapeutic treatment; and
- increased family support services, additional Aboriginal community education and development officers and additional training for school counsellors.

Other vulnerable groups in our community receive help with additional funding of \$8 million for initiatives to address homelessness and \$900 000 for strategies to combat youth suicide, youth unemployment and support for young offenders.

Mr Speaker, the State will increase funding by \$8.6 million in the Home and Community Care Program to match additional Commonwealth funds.

We'll also start a program in this Budget to improve access to public transport for people with disabilities at a cost of \$6.2 million.

These initiatives show the government is matching its commitment to families and the community with real action to achieve real results.

Mr Speaker, this Government wants South Australian children to have the best chances in life. Education is the key to this aspiration.

The State Strategic Plan has set ambitious literacy and numeracy targets. This budget allocates \$35 million over four years for a new Early Years Literacy Program.

The program sees 125 more teachers and resources dedicated to children in years 1 to 3. These extra teachers will be in classrooms for the start of the 2005 school year.

The budget also provides funding to expand the Reading Recovery program.

We'll fund a program specifically targeting pre-school Aboriginal children. The additional 13 teachers employed will directly influence nearly one thousand 3 to 4 year-old Aboriginal children.

The budget provides additional funding of \$6.4 million to support local school management with IT infrastructure and financial management training.

An additional \$8.1 million over four years will ensure the Senior Secondary Assessment Board of South Australia can meet the expectations of Year 12 students and the University entrance process.

Mr Speaker, building new infrastructure is essential for economic development. Let me tell you about just a few of the projects in this budget:

- a \$2.7 million contribution towards the \$9 million upgrade of roads and rail on the Le Fevre Peninsula;
- \$10 million for the upgrade of gas, electricity, stormwater infrastructure and other head works as part of the redevelopment of the Outer Harbor;
- \$18.1 million to widen South Road between Port Road and Torrens Road;
- \$3 million for a Tourism Infrastructure Fund to develop nature and culture based tourism;
- \$30 million for the replacement of the Bakewell Bridge; and
- we're fixing the Britannia Roundabout.

Total expenditure on capital projects and programs in 2004-2005 will be \$950 million.

The Government is also investing \$14.7 million to accelerate mineral exploration in South Australia.

These are just a few of the measures we are funding to build our economy and our future.

But Mr Speaker, the future also depends on population growth. The budget provides funds to pursue the aggressive and ambitious targets set in the Government's Population Policy.

\$10.2 million over the next four years will be provided for workforce and labour programs and migration support services to:

- build our population to 2 million people by 2050;

- at least double the intake of independent skilled migrants;
- achieve a five-fold increase in business migrants; and
- reduce the net outflow of interstate migrants to zero.

The Government will also introduce a \$1200 'Return to Work' credit to assist parents currently out of the workforce and caring for a child to get back into employment.

Eligible parents can use the credit for approved training and education costs, including child care.

Mr Speaker, the Government has shown its commitment to community safety by funding an additional 200 police officers, taking our overall police numbers to nearly 4000 sworn officers.

The budget funds this commitment with \$9 million provided in 2004-2005, building to \$20 million a year once all officers have been trained.

The additional officers will be performing operational duties in the areas of Criminal Justice, Metropolitan Patrols, Sexual Crimes Investigation Branch, State Protective Security Services and country relief pools.

Forensic Science will receive a further \$2.6 million to meet the growing demand for its services and will have a new scanning electron microscope for firearm investigations.

Additional funding for a District Court Master will help manage the increasing pressures being experienced in our civil courts.

We'll also put more money into support for legal services to Government and legal aid to the community.

Emergency Service agencies will receive new equipment to ensure they are kept as safe as possible while doing their jobs. Specific initiatives include:

- \$4.3 million for a third State Rescue helicopter;
- \$3.5 million for protective clothing and breathing apparatus for the South Australian Metropolitan Fire Service; and
- \$2 million for training and support of the Country Fire Service and capital funding of \$3.7 million for the early replacement of fire trucks, bulk water carriers and fire panel indicators.

A further \$600 000 will be provided for bushfire safety community awareness programs.

\$24 million has been allocated to continue the operation of the State's radio system beyond the current contract term, which expires in June 2006.

Mr Speaker, encouraging innovation and applying science and technology to boost economic opportunities are key objectives of the State Strategic Plan.

This budget delivers an additional \$8 million for the Premier's Science and Research Fund.

We'll also put in \$2.4 million in rental subsidies for start-up companies operating from a new \$9 million bioscience incubator to be built in the Thebarton Bioscience Precinct.

There's \$12.9 million to support the expansion of South Australia's fisheries, aquaculture and marine eco-tourism industries through the Marine Innovation SA (MISA) initiative. Adelaide and Flinders Universities have indicated they will both contribute to this initiative.

This Budget will provide funding that will enable Adelaide and South Australia to further enhance its reputation in arts innovation and cultural leadership.

An extra \$23.5 million will be provided over the next four years to support our festivals, heritage buildings, art galleries and museums.

Mr Speaker,

The Budget targets spending in regional areas.

Specific initiatives include:

- an additional \$2 million to improve the reliability of electricity supply on Kangaroo Island to accommodate the increases in electricity demand due to the booming tourism industry on the island;
- \$3 million for the Upper Spencer Gulf to establish a Fund to facilitate growth and leverage private sector investment in the area;
- \$14 million for the extension of the already successful FarmBis initiative aimed at the continued development of farm business and resource management skills;
- \$9.5 million to continue funding for the Wine Industry Council and the South Australian Food Centre;

- \$2 million to fund backlog maintenance works at regional Arts theatres;
- \$8 million for overtaking lanes to improve the safety of our country roads;
- \$6.8 million for the establishment and on-going support of Natural Resource Management Boards in regional South Australia; and
- \$4.3 million to support nursing in country hospitals. This is in addition to the \$7.5 million allocated during 2003-2004 for support of country doctors.

A further \$6.8 million for shoulder sealing and \$5.8 million for the State Black Spot Program should help to reduce the road toll.

Mr Speaker, the Government has acted decisively to improve the wellbeing of South Australia's Indigenous population, appointing Bob Collins as APY Lands Coordinator of Government services. To support Mr Collins and his team, a further \$13 million will be provided for police, health and training programs.

This funding is in addition to the \$12 million provided in last year's Budget.

Mr Speaker, protecting our environment remains a priority for this Government.

The Office of Sustainability will devise strategies to keep economic development and population growth consistent with environmental considerations.

Last year, the Government committed important resources to rescue the River Murray.

This year we are providing further funding for water management initiatives in South Australia.

In recognition of the importance of our coasts and marine waters to the economic prosperity to the State, this budget allocates \$5 million for the Living Coast Strategy.

The conservation of our built environment will be supported with \$2.9 million to assist local government conserving heritage buildings.

Mr Speaker, the forward outlook is for revenue to grow at a slower rate than inflation in 2004-2005 and 2005-2006.

Thereafter, revenues are projected to increase at a slightly faster rate than inflation (between 1 and 2 per cent per annum in real terms).

Stamp duty revenue from property transfers is expected to fall by 22 per cent in 2004-2005.

Despite this, the Government has taken the opportunity to provide some targeted tax relief in this Budget.

In total, the measures I am about to outline will return \$360 million to South Australians over the next four years.

These measures are designed to further improve the State's business competitiveness while at the same time providing important tax relief to first homebuyers.

Mr Speaker, payroll tax will be reduced from 5.67 per cent to 5.5 per cent from 1 July this year.

The reduction is expected to deliver payroll tax relief of \$94 million over four years.

It is estimated that 5500 firms employing approximately 340 000 employees will benefit from this rate reduction.

The Budget also abolishes two further business taxes in 2004-2005.

Lease duty and cheque duty will be abolished from 1 July this year at an estimated cost of \$5.2 million in the first year. Over four years more than \$22 million will be returned to South Australians.

The abolition of debits tax from 1 July 2005 will return \$180 million to South Australians across the out years.

These tax cuts are a result of good economic management.

Mr Speaker, home ownership is a great Australian tradition.

Even with the recent growth in house prices, home ownership in South Australia remains more affordable than in the eastern States.

But we want to specifically help first homebuyers with the most significant concessions for many, many years.

Currently, first homebuyers receive stamp duty concessions on property conveyances which cease at a purchase price above \$130 000.

This budget extends the first homebuyer stamp duty concession so that it now ceases at a purchase price above \$250 000.

This will benefit more than 80 per cent of first homebuyers.

We will also abolish mortgage duty for all first homebuyers, in respect of mortgages that relate to the first home contracts that are entered into from today.

This concession will deliver benefits to first home buyers valued at \$64 million over the next four years.

Data on First Home Owner Grant recipients in 2003-2004 indicate the median purchase price for first homebuyers in South Australia is \$175 000.

At this value, the stamp duty concession and the mortgage duty exemption combine to save the first homebuyer \$2355.

Mr Speaker, these tax cuts provide real benefits to South Australian businesses and first homebuyers.

But they should also send a signal to the community that while our priority will remain the provision of essential services like health and education, we are a Government that will cut taxes when we have the capacity to do so.

That's simply good economic management.

Mr Speaker, as usual, I must place on 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, throughout this address, I have referred to the vision and aspirations of the State Strategic Plan.

As I said earlier, this budget has been framed with the objectives and targets of the State Strategic Plan in mind.

We believe in the direction we are taking South Australia and we are serious about the achievement of our targets.

This Budget continues the work begun in the two that preceded it.

We are spending more on the core services demanded by South Australians...especially in health. We have committed record funds to keep our children safe.

We're building our infrastructure and our economy for the future...

And we've cut taxes to keep our businesses competitive and help young people buy their first home.

Mr Speaker, we're doing all of this while still keeping our Budgets in surplus.

That's good economic management.

I commend the Budget to the House.

APPROPRIATION BILL 2004

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 2004. 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.

