



Government  
of South Australia

2001 2002

# Budget at a Glance

2001–2002  
BUDGET PAPER 1

## 2001-2002 Budget Papers

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Building economic strength to build a stronger community

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## 2001-02 Budget highlights

The 2001-02 Budget continues to deliver sound financial management while maintaining the delivery of services to the South Australian community.

Highlights of the 2001-02 Budget:

- Small surpluses are expected for the non commercial sector in 2001-02 and across the forward estimates.
- By 30 June net debt plus unfunded superannuation liabilities will have fallen to around half of 1993 levels.
- Non financial public sector net debt fell by \$4.9 billion as a result of the electricity privatisation process.
- Compared with 1998-99, net interest payments will have been reduced by more than two-thirds by 2001-02, largely attributable to electricity privatisation.
- Level of payroll tax, lease duty and land tax will be reduced.
- Over the next four years \$572 million is provided for high priority expenditure initiatives.
- A capital investment program of \$1.04 billion will be undertaken in 2001-02.
- Revenue from Commonwealth funding, taxation and royalties is higher by \$430 million over the four years from 2000-01 to 2003-04 than estimated last budget.
- The plan to fully fund superannuation liabilities by 2034 remains on track.

	NON COMMERCIAL SECTOR (\$m)					
	2000-01 BUDGET	2000-01 ESTIMATE	2001-02 BUDGET	2002-03 ESTIMATE	2003-04 ESTIMATE	2004-05 ESTIMATE
Total current outlays	6 326	6 552	6 764	6 790	6 941	7 115
Total capital outlays <sup>(a)</sup>	602	689	638	570	571	543
Total outlays	6 928	7 241	7 402	7 360	7 512	7 658
Own-source revenues	2 857	2 976	2 858	2 747	2 796	2 846
Grants received	3 962	4 112	4 415	4 532	4 635	4 732
Total revenue and grants received	6 819	7 088	7 272	7 279	7 431	7 578
Underlying deficit/(surplus)	(2)	(3)	(2)	(2)	(1)	(3)

(a) Excludes commercial sector, grant funded investments, and is net of capital receipts.

Source: Department of Treasury and Finance

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## Achievements against medium-term budget objectives

A final assessment of the Government's performance against the four-year financial plan will not be possible until the release of the 2001-02 Budget Results.

However, the Government's achievements to date can be assessed against the medium-term budget objectives set out in the 1998-99 four-year financial plan as summarised below.

### **To maintain the non commercial sector in underlying balance over the medium term**

- This objective has now been achieved.
- Small surpluses are forecast for 2000-01 and 2001-02.

### **To further reduce debt in real terms with the aim of achieving an AA+ rating as soon as possible**

- As a result of the first tranche of electricity asset disposals, and the consequent reduction in State debt of \$3.4 billion, Standard & Poor's increased the State's credit rating from AA to AA+ in December 1999.
- Finalisation of the electricity asset disposal process has delivered over \$5 billion in proceeds and a reduction in net debt of \$4.9 billion.

### **To eliminate the State's unfunded superannuation liability**

- The Government has retained and continues to meet its target of fully funding superannuation over a 40-year period (by 2034).

## Achievements against medium-term budget objectives

### To ensure the State has a competitive tax regime for business and job creation

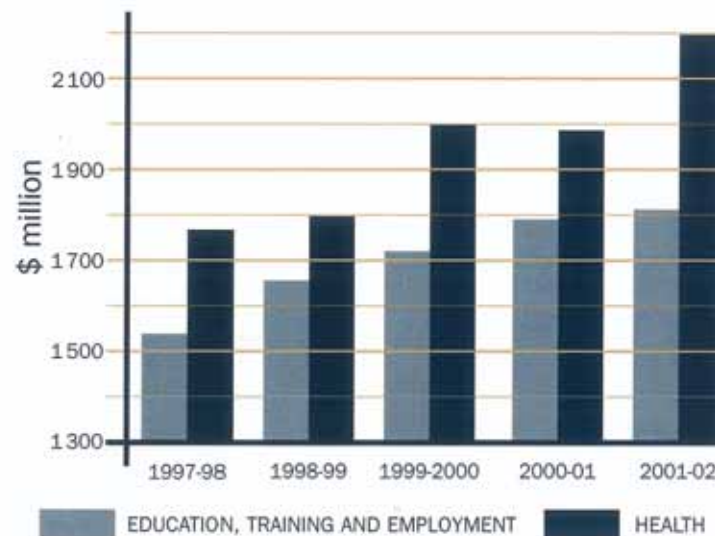
- South Australia is estimated to remain third lowest of the States in terms of tax revenue per capita in 2001-02 and 25% below the NSW per capita figure.
- The 2001-02 Budget provides for further tax relief of \$132.3 million per annum.

### To ensure the State has an adequate economic and social infrastructure to promote business investment and contribute to social well-being

- The Government's 2001-02 Capital Investment Program totals \$1.04 billion and contains funding for a range of new and existing capital initiatives.
- The program incorporates major projects across all sectors of Government to improve services to the community.
- The Government has nominated a number of capital projects that will be pursued as public-private partnerships. This approach has been successful in reducing the costs of providing government services in other jurisdictions.

### To provide community services to a standard and level at least comparable with other States

- The 2001-02 Budget provides for \$572 million of expenditure initiatives over the next four years to improve services to the community.
- Spending on health and education will be priorities—health spending will be \$440 million higher than for 1997-98 and education, training and employment will be \$280 million higher.



Source: Department of Treasury and Finance

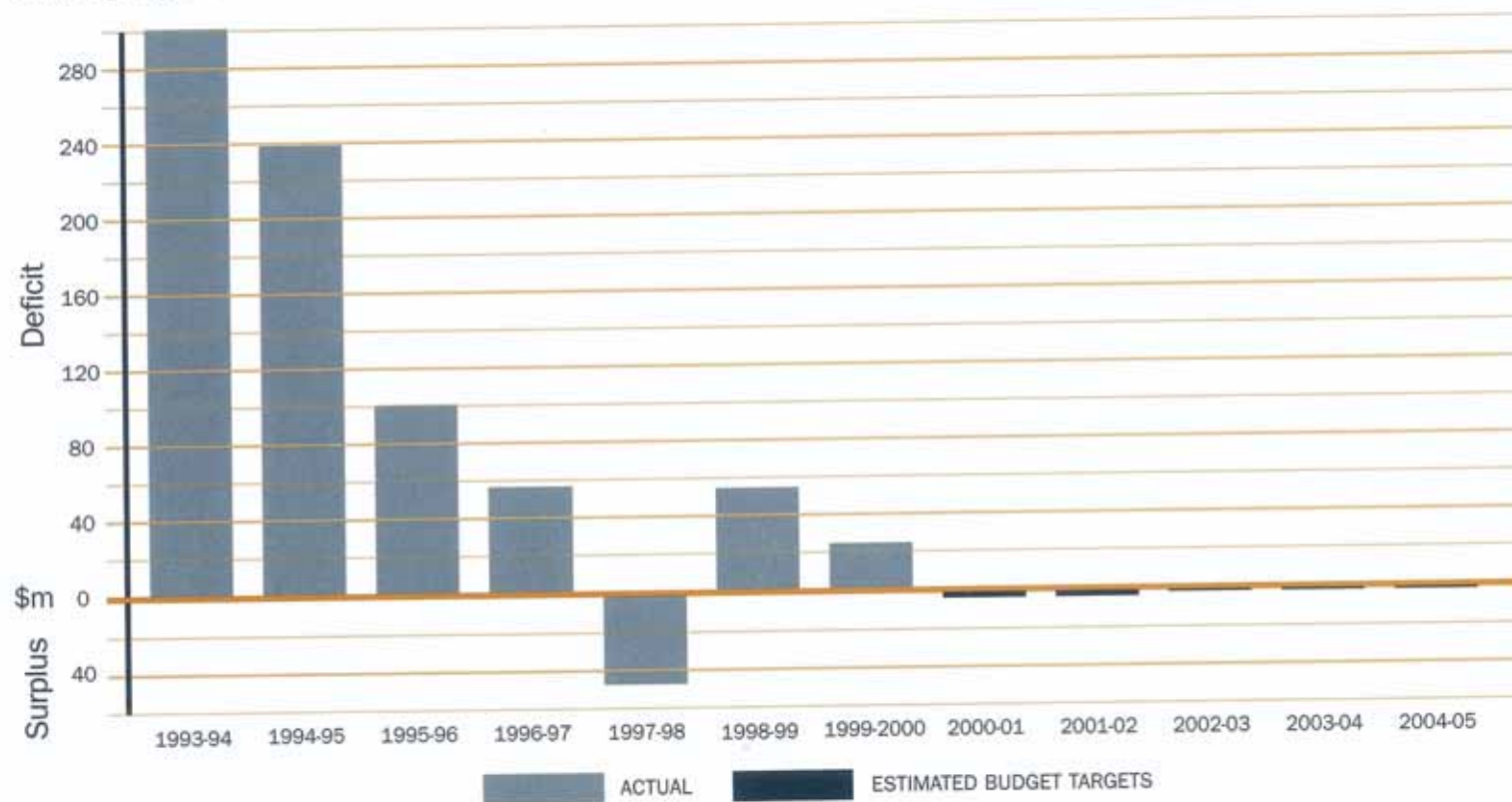


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## Underlying deficit eliminated

The graph below indicates that the non commercial sector is broadly in financial balance compared with the deficit position in 1993-94, 1994-95 and 1995-96.

### Underlying deficit eliminated



Source: Department of Treasury and Finance



## Declining debt burden

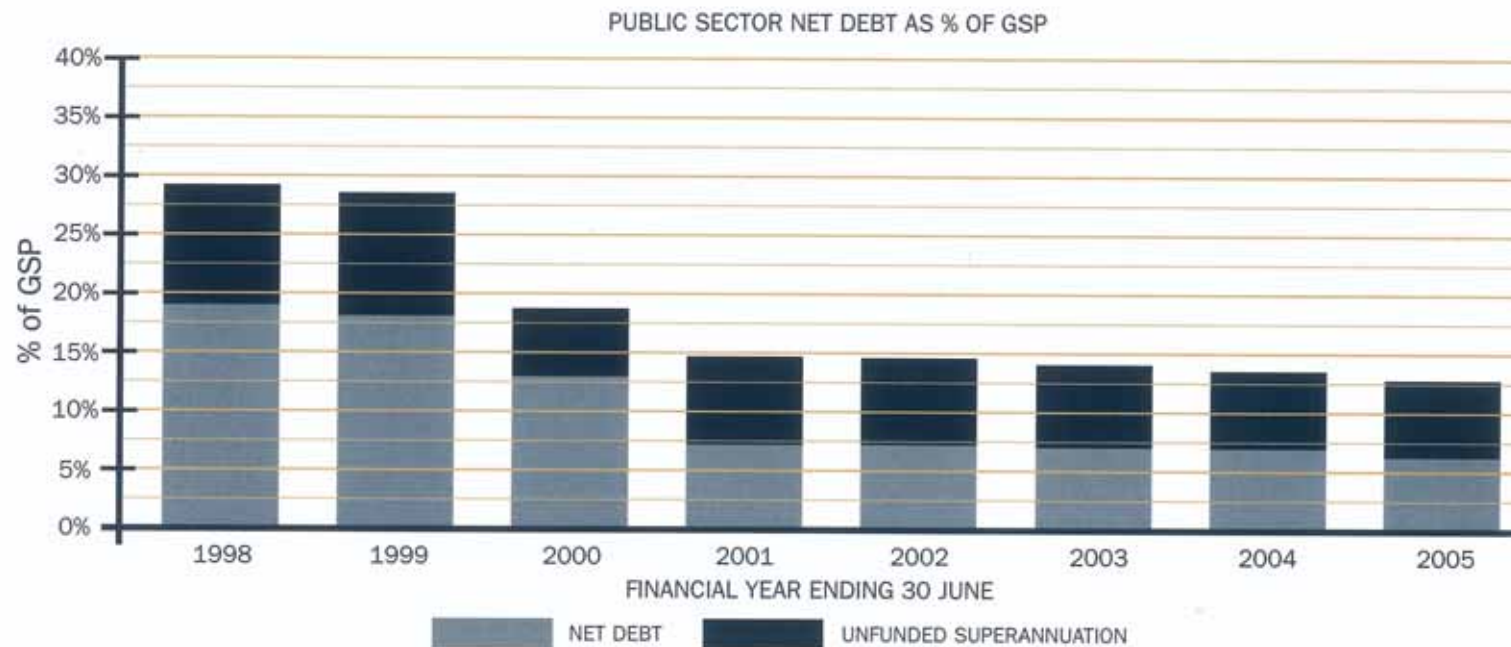
Net debt and unfunded superannuation liabilities as a proportion of GSP are declining from 29.5% as of 30 June 1998 to 12.5% by 30 June 2005.

Of the total proceeds received from the electricity privatisation process, \$4.9 billion was applied to debt reduction.

In December 1999, ratings agency Standard & Poor's raised the State's credit rating to AA+.

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Source: Department of Treasury and Finance



## Expenditure on outputs by portfolio

Portfolio expenditure in 2001-02 is expected to increase by \$483 million over 2000-01 budgeted expenditures representing a nominal growth in expenditure of 6.7%.

PORTFOLIO GROUP	TOTAL EXPENDITURE (\$m) <sup>(a)</sup>			
	2000-01 BUDGET	2000-01 ESTIMATED RESULT	2001-02 BUDGET	CHANGE IN BUDGET
Premier and Cabinet	111	123	111	-
Auditor-General	10	10	10	-
Primary Industries and Resources	177	180	215	+38
Treasury and Finance	65	63	62	-3
Industry and Trade	159	170	195	+36
Justice	835	850	901	+66
Human Services	2 678	2 687	2 852	+174
Transport, Urban Planning and the Arts	697	717	736	+39
Administrative and Information Services	542	539	555	+13
Education, Training and Employment	1 708	1 803	1 803	+95
Environment and Heritage	149	156	165	+16
Water Resources	52	58	61	+9
<b>TOTAL EXPENDITURE ON OUTPUTS</b>	<b>7 183</b>	<b>7 356</b>	<b>7 666</b>	<b>+483</b>

(a) Expenditure on outputs includes portfolio controlled expenses plus any administered expenses directly attributable to outputs, and non-cash items such as depreciation and employee entitlements.

Source: Department of Treasury and Finance

## Privatisation of electricity assets

Following Parliament's approval in June 1999, all of the State's electricity assets have now been leased or sold.

In December 1999 the Premier announced the long term lease of ETSA Utilities and the sale of ETSA Power to Hong Kong Electric/CKI for \$3.5 billion. In January 2000 the on-sale of ETSA Power to AGL for \$175 million was also announced, adding a further \$25 million to the gross proceeds received by the State.

In May 2000, Optima Energy (Torrens Island Power Station) was leased to TXU for \$315 million and Synergen (peaking plants) was leased to National Power for \$39 million.

On 8 September 2000, Flinders Power, which operates the Northern and Playford coal-fired power stations at Port Augusta, the Leigh Creek coal mine, a dedicated rail line between the two and the company township of Leigh Creek, was leased to NRG Energy for \$463 million.

On 31 October 2000, ElectraNet, which operates the State's high voltage electricity transmission network was leased to a consortium comprising Australian bank Macquarie Bank Limited, the Queensland transmission company Powerlink and ABB, for \$938 million.

Also on 31 October, the gas trading company, Terra Gas trader, was sold to Queensland company Tarong Energy for \$35.5 million.

These transactions complete the South Australian Government's power privatisation program, which has realised proceeds of over \$5.3 billion. The South Australian Government no longer has to bear the risk of operating in the National Electricity Market and has been able to significantly reduce State debt, resulting in South Australia regaining its AA+ credit rating.

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## Directions for South Australia

*Directions for South Australia 2001-02* is a planning and priority-setting tool for the Government. It outlines the Government's directions for 2001-02 and beyond, under seven key themes.

### **Education and lifelong learning**

- investing in the future of South Australia through quality education, training and life-long learning

### **Employment and economic development**

- fostering economic prosperity through sustainable growth

### **Regional communities**

- improving the economic, social, cultural and environmental well-being of South Australia's regions by assisting regional communities and their people to develop their potential

### **Culture, lifestyle and the environment**

- defining South Australia as a creative, dynamic and productive place to live, work and visit
- maintaining a clean environment that creates a sense of pride in where we live and encourages growth and development in an ecologically responsible manner

### **Health and communities**

- enhancing the quality of life of South Australians through government and community partnerships
- promoting health and well-being and developing sustainable communities and quality living standards
- ensuring individuals and families receive care and support for their health and well-being at a cost the community is willing to bear
- promoting and supporting community diversity

### **Justice and safety**

- ensuring equitable access to justice, prevention of crime and an equitable, competitive, informed and socially responsible market place which provides fair trading for consumers and businesses

### **Government reform**

- creating a system responsive to the needs of the 21st century

The Government is planning to release the *Directions for South Australia 2001-02* statement in June 2001.



# Major expenditure initiatives

The budget provides for an extra \$572 million for service delivery initiatives over the next four years including these major initiatives.

## Health

- An additional 200 nurses (\$8 million per annum)
- Mental health strategy (\$2 million per annum)
- Additional winter beds and emergency department workloads (\$15 million in 2001-02)
- Private dental purchase scheme (\$4 million over two years)

## Boosting employment and economic development

- Employment and youth programs (\$34 million over four years)
- Strategic industry support program expanded (\$78.5 million over four years)
- Asian Gateway—Adelaide—Darwin rail link project, local participation and employment and training initiatives (\$5.2 million over four years)

## Policing

- Expansion of policing by 90 officers plus introduction of a dedicated call centre—putting police back on the street and targeting illicit drugs (\$33.3 million over four years)

## Investing in public transport

- Additional bus, tram and train services and extending the metroticket system (\$30.3 million over four years)

## Improving our environment

- Salinity and water quality initiatives (State contribution—\$100 million over seven years)
- Metropolitan beach sand management (\$6.75 million over four years)
- Establishment of marine protection areas across the State (\$800 000 per annum)

## Regional development

- Country water quality improvements (\$32.8 million over four years)
- Service SA—one-stop government services shops and introduction of call centre and internet service delivery options (\$6.2 million over four years)
- Aboriginal lands and essential services (\$700 000 per annum)

## Supporting the needs of older

### South Australians

- Local government rate concessions and extensions (\$7.7 million in 2001-02)
- Progressive implementation of the Moving Ahead strategy (\$1 million per annum)
- Extension of the Home and Community Care program (\$2.7 million per annum)

## Promoting literacy and physical well-being

- Early Years literacy strategy (\$5.6 million over four years)
- Active for Life schools physical education program (\$16 million over four years)

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## Reducing tax burden

### Payroll tax

From 1 July 2001:

- payroll tax rate will be cut from 6% to 5.75%.

From 1 July 2002:

- payroll tax rate will be cut from 5.75% to 5.67%
- tax free threshold will be increased from \$456 000 to \$504 000
- payroll tax base will be broadened to include full grossed-up value of fringe benefits and eligible termination payments.

### Lease duty

Leases with annual payments below \$50 000 will be exempt from stamp duty from 1 January 2002.

### Financial institutions duty

Financial institutions duty (FID) will be abolished from 1 July 2001.

### Stamp duty on quoted marketable securities

Stamp duty on the transfer of quoted marketable securities will be abolished from 1 July 2001.

### Emergency Services Levy

ESL rates on fixed property will be adjusted to maintain a constant level of revenue collection.

### Land tax

New rules will ensure the principal place of residence exemption from land tax applies to people moving house or in the process of building a new house.

### Concessions

The Government will increase existing council rate concessions and extend the eligibility criteria for those concessions to include self-funded retirees.

From 2001-02 the maximum council rate concession for those with an existing entitlement (which includes pensioners, Centrelink allowees and low income earners) will increase by \$40 to \$190 per annum.

Self-funded retirees who hold a State Seniors Card will become eligible for a council rate concession of a maximum of \$100 per annum. The cost of these enhancements to council rate concessions will be \$7.7 million in 2001-02.

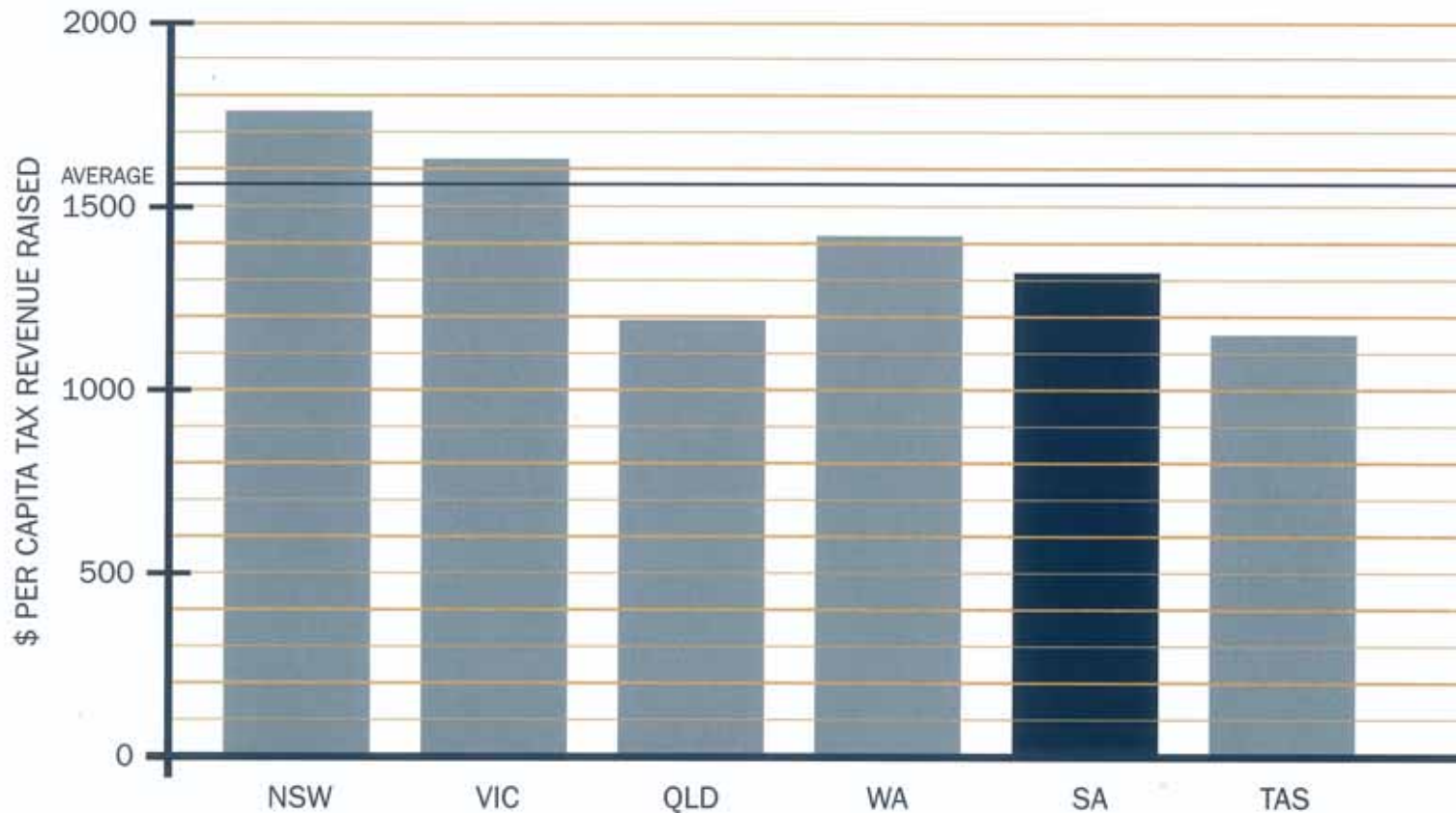


## Relative tax severity

The per capita level of taxes in South Australia in 2001-02 is estimated to be \$1318.

South Australia has the third lowest level of taxes of all States, being \$210 less than the average of \$1528 and 25% less than the NSW per capita figure.

2001-02 estimated taxes per capita



Source: Based on published estimates contained in 2001-02 State Budget papers, where available, and mid-year budget reports.

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## Capital investment by portfolio

The 2001-02 Capital Investment Program emphasises infrastructure that supports the Government's key strategic priority areas outlined in *Directions for South Australia 2001-02*.

The Government's Capital Investment Program for 2001-02 totals \$1.04 billion and includes \$108.1 million of the Government's \$309.4 million Three-Year Capital Investment Program.

The program incorporates major projects across all sectors of Government to improve services to the community.

PORTFOLIO GROUP	TOTAL INVESTMENT (\$m)	
	2000-01 ESTIMATED RESULT	2001-02 BUDGET
Premier and Cabinet	73	22
Primary Industries and Resources	14	16
Treasury and Finance	3	4
Industry and Trade	26	1
Justice	58	80
Human Services	187	248
Transport, Urban Planning and the Arts	183	195
Administrative and Information Services	141	112
Education, Training and Employment	69	98
Environment and Heritage	16	24
Water Resources	1	13
Other—Commercial agencies and grant-funded community assets	201	223
<b>TOTAL</b>	<b>971</b>	<b>1 035</b>

Source: Department of Treasury and Finance



## Major capital projects

Major projects and initiatives included in the 2001-02 Capital Investment Program include:

- \$8.2 million contribution towards a total project cost of \$16.4 million for the rejuvenation and beautification of the North Terrace Precinct
- \$100 million over seven years on the National Action Plan for Salinity and Water Quality, a salinity strategy to combat increasing salt levels in the River Murray
- a country hospitals and aged-care program totalling \$18.6 million over three years to refurbish and improve numerous hospitals and aged-care centres outside of the metropolitan area
- a mental health program of \$14.5 million over three years to expand or refurbish mental health units in metropolitan hospitals
- in the housing program, \$93.4 million from the capital budget and funding by way of loan and grants totalling \$25.5 million, will together provide for 277 new houses, purchase of 45 homes and renovation of 1735 homes across the public, community and Aboriginal housing sectors
- expenditure of \$16.0 million as part of the \$41 million redevelopment of the State Library complex
- expenditure of \$49.3 million over the three-year program on the Port River expressway, a new freight corridor to the Port of Adelaide
- expenditure of \$25.8 million over three years on the Bus Replacement Strategy, and expenditure of \$5.8 million in 2001-02 on upgrading public transport infrastructure
- \$30.7 million on the next stage of the Government's emergency services radio network
- \$123 million over three years for construction and refurbishment of primary, secondary and area schools
- a community sporting and recreation infrastructure program of \$17 million over three years
- upgrade of Rocky River precinct in Flinders Chase National Park on Kangaroo Island at a total cost of \$7.6 million
- \$25 million in 2001-02 for the Adelaide-Darwin rail link (total financial contribution is \$150 million plus a \$26.4 million loan).

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## Serving the South Australian community

The following information presents highlights from the latest available data from the Productivity Commission (January 2001) benchmarking the performance of State and Territory government services under the auspices of the Steering Committee for the Review of Commonwealth–State Service Provision.

### Health

- Aggregate unit costs (per casemix adjusted separation) in South Australia's public acute care hospitals during 1998-99 were the third lowest of the jurisdictions and 7% below the national average.

### Education

- Class sizes in South Australia's primary and secondary schools during 1999 (as measured by student/teacher ratios) continue to be smaller than the national average. South Australia's secondary schools had the smallest class size of all States.
- Employer satisfaction with South Australian VET providers in 1999 was equal highest of the States and Territories.
- In 1999, South Australian TAFE graduates from the previous year had the highest rate of employment of all jurisdictions.

### Police

- In 1999-2000, the South Australian community had a higher than average level of overall satisfaction with police compared to other jurisdictions.

# Serving the South Australian community

## Housing

- In 1999-2000, South Australia had the third lowest incidence of 'overcrowding' (the proportion of households inadequately matched to dwelling size) of all jurisdictions.
- Rent charged for public housing in 1999-2000 as a proportion of market rent in South Australia was third highest of the jurisdictions and well above the national average.
- Total rent collected in 1999-2000 as a proportion of total rent charged in South Australia was higher than average.
- The proportion of South Australian tenants in 1999-2000 who were 'very satisfied' was equal highest of the States and Territories and well above the national average.

## Courts administration

- The cost of lodging a claim in South Australia's magistrates and district courts was significantly lower than the national average in 1999-2000.
- The proportion of both Supreme and District court cases which were finalised within six months in South Australia was significantly higher than the national average in 1999-2000.

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## Employment and economic development

The Government is committed to building on the State's strengths and opportunities to create a unique and vibrant economy. The following are highlights of the employment and economic development initiatives for 2001-02.

- Business taxes—reducing business costs by \$185 million per annum:
  - reductions in payroll tax, WorkCover levies and lease duty
  - the abolition of FID and stamp duty on quoted marketable securities
- Investment attraction and enterprise improvement—targeting generation of \$150 million per annum in additional GSP and creating or retaining 4000 jobs:
  - investment generation in the key areas of information and communications technologies, food, back office, defence and selected opportunities in emerging industries
- The Employment for Regional and Remote Area Projects (On Track for the Future)—strengthening investment attraction in major infrastructure projects in regional and remote South Australia with funding of \$1.15 million:
  - developing a pool of 'project ready' workers available to meet the demand for labour by new investors in South Australia
- Private sector employment—providing incentives and advice to employers within strategic employment growth areas to create sustainable jobs with funding of \$12 million:
  - financial assistance to employers engaging unemployed people
  - incentives targeted to areas with the potential to provide sustainable employment, such as employment growth sectors and areas with current skills shortages
  - employers engaging those most disadvantaged in the labour market being eligible for the highest level of subsidy
- Youth Employment—making \$8 million in funds available to local communities to enable them to identify the specific issues affecting young people's involvement in the local labour market and implement strategies to address them:
  - local level responses will be developed in partnership with existing support structures such as regional development boards, local councils and Job Network employment services providers
  - funds will be targeted to regions with high levels of unemployment among 15 to 24 year olds



## A focus on regions

The State Government strongly believes that regional South Australia has a bright and optimistic future.

The Regional Statement has been prepared in line with the strategic goals of *Directions for Regional South Australia—A Framework for Action*. In so doing the Government demonstrates how it plans to focus resources from a whole of government perspective to address the strategic issues and priority needs of regional South Australia.

The comprehensive package of new, expanded and continuing programs and services is designed to meet regional challenges and help make our regions a better place to live and work.

Highlights of this package include:

- a commitment of more than \$300 million to improve strategic regional infrastructure
- \$58 million in support of water resource management and \$13.6 million on various programs under the National Action Plan for Salinity and Water Quality
- \$22.7 million to upgrade country hospitals and aged-care facilities
- \$7.1 million to provide housing for people in need

- \$17 million for community sporting facilities over three years
- \$56.8 million for providing vocational education and training
- \$11.8 million to improve skills and practices of farmers and fishers through the FarmBis program
- an additional \$8.9 million to establish a greater regional presence and expand access to Government services
- a suite of initiatives to ensure local businesses and communities maximise opportunities from the Adelaide–Darwin rail link project
- almost \$38 million to support new growth industries to accelerate development in the regions
- more than \$25 million to improve regional tourism infrastructure, product and marketing to encourage greater levels of visitation.

The value of these initiatives is not measured in their cost alone, but also in the contribution they make to the economic prosperity of regions and the quality of life of regional communities.

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## Managing our superannuation obligations

In the 1994-95 Budget, the Government began a strategy to reduce the State's liabilities by fully funding superannuation liabilities. The strategy, modified in 1999-2000, involves a schedule of annual payments being invested with FundsSA to fully fund the liability for past service superannuation by 2034. Contributions for new service superannuation are also paid to FundsSA each year.

The table below provides a summary of the past service superannuation liability payments made since 1994-95, and those projected for the forward estimates period, as at the 2000-01 Budget and as reflected in this budget.

The Treasurer approved the adoption of the assumptions underlying an independent actuarial review of SA superannuation schemes. The major financial implications arising from adopting the revised assumptions are:

- a reduction in the annual superannuation expense (new service expense) of the order of \$15 million per annum
- a reduction of \$618.5 million in the balance of the unfunded superannuation liability.

Prepayments of the past service superannuation in previous years meant that no payment was required in 2000-01, to meet the 40-year target date for full funding. The Government remains on target to fully fund superannuation by 2034.

	PAST SERVICE SUPERANNUATION LIABILITY PAYMENTS (\$m)						TOTAL
	1994-95 to 1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
2000-01 Budget	1 082 <sup>(a)</sup>	127 <sup>(b)</sup>	42	148	182	224	1 805
2001-02 Budget <sup>(c)</sup>	1 082 <sup>(a)</sup>	227 <sup>(a)</sup>	0	134	177	184	1 805
2001-02 Budget (if Ports Corp included)	1 082 <sup>(a)</sup>	227 <sup>(a)</sup>	0	217	155	163	1 844

(a) Actual.

(b) Estimated result for 1999-2000 at the time of the 2000-01 Budget.

(c) The expected payment towards past service superannuation from Ports Corporation sale proceeds in 2001-02, and subsequent reductions in annual past service payments, are not reflected in the budget as the sale has yet to occur.

Source: Department of Treasury and Finance



## Commonwealth–State financial relations

- A new era in Commonwealth–State financial relations began on 1 July 2000.
- The States and Territories are receiving the entire proceeds from the GST, which are distributed between the States and Territories in accordance with fiscal equalisation principles as was previously the case with financial assistance grants (FAGs).
- The financial benefit to the States and Territories of receiving the proceeds of the GST are offset by the cessation of two large former grant payments from the Commonwealth (FAGs and the business franchise fee revenue replacement grants).
- The States are also being compensated for other reform measures such as the abolition of certain State taxes (FID and stamp duty on listed marketable securities from 1 July 2001, debits tax from 1 July 2005), reductions in taxes on gambling which took effect from 1 July 2000 to offset the impact of the GST on gambling and the commencement of the First Home Owner Grant (FHOG) Scheme. The States and Territories are also funding the costs of administering the GST incurred by the Australian Taxation Office.
- In the initial years of the new arrangements there will be some budgetary shortfalls for the States and Territories which are offset by top-up grants from the Commonwealth. In 2000-01 it is estimated that South Australia will receive \$2264 million in GST revenue grants, requiring further top-up grants of \$282 million from the Commonwealth to ensure that the State is no worse off relative to previous arrangements.
- In 2001-02 it is estimated that South Australia's share of GST revenues will increase to \$2540 million. The top-up grants required from the Commonwealth will be \$223 million.
- In South Australia, based on current forecasts the new arrangements will be fiscally neutral up to and including 2005-06. From 2006-07 onwards current estimates suggest that South Australia will achieve net budgetary benefits.

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## Economic highlights

- Economic growth in South Australia is expected to slow to 2.5% in 2001-02 following expected growth of 2.75% in 2000-01.
- Household consumption expenditure, which accounts for approximately 60% of State expenditure, grew by a strong 3.9% in 2000, and is expected to improve in late 2001 from its recent slowdown.
- Employment growth in South Australia is expected to remain subdued, growing by just 0.5% in 2000-01, before improving to an estimated growth of 1% in 2001-02.
- The trend unemployment rate in South Australia was 7.2% in April 2001—a significant improvement from the 8.0% in April 2000.
- Overseas exports of goods from South Australia improved strongly, growing by 27% in the nine months to March 2001 over the nine months to March 2000. The major contributors to growth in overseas exports were: road vehicles, parts and accessories; metals and metal manufactures; and wine.
- Private dwelling investment grew solidly in 2000 at 4.1%, although activity fell after the GST was introduced. Dwelling investment is expected to recover in the latter half of 2001 with the recent easing of interest rates and the doubling of the FHOG for new dwellings.

## Economic forecasts

### Key assumptions underlying the budget and forward estimates

		2000-01 ESTIMATED RESULT	2001-02 FORECAST	2002-03 PROJECTION	2003-04 PROJECTION	2004-05 PROJECTION
Gross State Product—Real growth <sup>(a)</sup>	%	2 <sup>3</sup> / <sub>4</sub>	2 <sup>1</sup> / <sub>2</sub>	3	3	3
Employment—Real growth	%	1 <sup>1</sup> / <sub>2</sub>	1	1 <sup>1</sup> / <sub>2</sub>	1 <sup>1</sup> / <sub>2</sub>	1 <sup>1</sup> / <sub>2</sub>
CPI—Growth (as published by the ABS)	%	5 <sup>3</sup> / <sub>4</sub>	2	2 <sup>1</sup> / <sub>2</sub>	2 <sup>1</sup> / <sub>2</sub>	2 <sup>1</sup> / <sub>2</sub>
CPI—Growth exclusive of TNTS <sup>(b)</sup>	%	3	2 <sup>1</sup> / <sub>2</sub>	n.a.	n.a.	n.a.

(a) Forecasts and projections are based largely on underlying national economic and State population trends.

(b) The New Tax System is expected to have no impact on CPI growth beyond 2001-02.

Source: Department of Treasury and Finance

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## Accrual outlook

Accrual financial statements reflect the cost of service provision—including non-cash costs such as depreciation—and disclose all financial obligations accrued each year—such as superannuation and long service leave liabilities—even if the cash costs come in future years.

- All Australian governments have agreed to a uniform presentation framework (UPF) that adopts the accrual standards used by the Australian Bureau of Statistics.
- The primary objective of the UPF is to provide a common core of financial information within the budget papers of the Commonwealth, States and Territories—allowing meaningful comparisons between each government’s financial results and projections.
- The UPF provides a number of measures for evaluating a government’s fiscal position and the effect of fiscal policy on economic decisions.

- The net operating balance is the difference between revenue and expenses, and includes non-cash expenses such as accruing employee entitlements and depreciation. The general government net operating balance is expected to improve over the forward estimates period from a deficit of \$221 million in 2000-01 to a surplus of \$83 million in 2004-05.
- Net lending/borrowing (sometimes referred to as fiscal balance) measures a government’s investment-saving balance. A government’s net lending/borrowing is calculated by deducting the net acquisition of non-financial assets (equivalent to net capital expenditure less depreciation expense) from the net operating balance. General government net borrowing is expected to improve from \$346 million in 2000-01 to \$61 million in 2004-05.

### General government sector aggregates

	2000-01 BUDGET	2000-01 ESTIMATED RESULT	2001-02 BUDGET	2002-03 ESTIMATE	2003-04 ESTIMATE	2004-05 ESTIMATE
Net operating balance (\$m)	(192)	(221)	(38)	19	4	83
Net lending (fiscal balance) (\$m)	(342)	(346)	(209)	(111)	(130)	(61)

Source: Department of Treasury and Finance



