



Government of  
South Australia

**2012–13 Budget Paper 2**  
**Budget Speech**

# **Strong foundations. Stronger future.**





**2012–13  
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# Budget Speech 2012–13

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*Delivered on 31 May 2012, on the second reading of the Appropriation Bill 2012,  
by the Hon. J.J. Snelling, M.P., Treasurer of South Australia.*

South Australia will be a very different place in a few years.

The expanded Olympic Dam mine — the largest open pit mine in the world — will be operating, along with dozens of others, exporting copper, gold and uranium to a region hungry for our resources.

The Future Submarine Project — the largest nation-building project since the Snowy Mountains Scheme — will be in full swing, employing thousands of South Australians, and transforming our industrial landscape.

Australia's most advanced hospital will be looking after the health needs of our citizens. The centre of Adelaide will be thriving, the redeveloped Adelaide Oval will rival the great sporting stadiums of the world, and the Riverbank will bring together our cultural and entertainment precincts.

But realising this vision isn't going to happen without obstacles sometimes presenting themselves.

When preparing this budget, I was confronted with the biggest revenue write-down in our history because of international economic and national political uncertainty. Doing nothing was not an option, and so tough choices had to be made.

But the vision for a greater South Australia couldn't be abandoned; not if we want SA to be a place where our kids stay, to in turn raise their kids. The budget steers a course between those who'd abandon financial prudence, and those who'd abandon building the future our children deserve.

In this budget, debt is kept to sustainable levels while a once-in-a-generation renewal of our infrastructure gathers pace; new spending for those with disabilities and their carers is prioritised; and stimulus is given to key areas of our economy to keep unemployment at historic lows.

In short, the 2012–13 State Budget builds the strong foundations for the stronger future that awaits our state.

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At the Mid-Year Budget Review, I signalled a return to surplus in 2014–15. Owing to the \$2.8 billion revenue write-down, the return to surplus is now forecast to occur in 2015–16 at \$512 million. Our debt is expected to peak that year at \$8.8 billion, when the New Royal Adelaide Hospital is added to the state's balance sheet.

The savings measures that I outline today will bring the total savings announced by the government from the onset of the Global Financial Crisis to the end of the forward estimates to slightly over \$6 billion.

Of these savings, almost \$4 billion have already been implemented.

These savings will ensure that the debt cap I set in December — that government borrowing would never exceed half our annual revenues — is achieved. This is like a household with a total family income of \$100 000 a year, ensuring the mortgage is kept to no more than \$50 000.

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Government agencies will cut 1 per cent a year from their budgets from 2013–14. This will deliver extra savings, growing to \$129.5 million a year by 2015–16.

A smaller public sector needs to be more productive and it is, therefore, vital we retain the skills of our most experienced public servants. Approximately \$20 million a year will be made available for a new public sector skills and experience retention benefit, for public sector employees who have completed 15 or more years of effective service.

To offset the cost of this, we will further reduce the number of public sector employees by 1000 over three years, beginning in 2013–14. By 2015–16 this will deliver savings of \$86.6 million a year. As a percentage of the total workforce, the public sector will be the smallest that it has been since 2000.

Merging the Department of Environment and Natural Resources and the Department for Water will build to a \$1.9 million saving a year by 2013–14.

The government corporate box at the Adelaide Entertainment Centre will be axed. The Integrated Design Commission and the Thinkers in Residence Program will end once current commitments have been met.

The 2010–11 Budget announced a 15 per cent reduction in Ministerial Office spending to be carried out by 2013–14. This measure will now be fully implemented this financial year instead.

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Of our massive capital spend over the next four years, \$444.2 million will be suspended or deferred. We will suspend the electrification of the Gawler and Outer Harbor lines and the rail standardisation of the metropolitan network. The purchase of land to extend the Seaford line to Aldinga will be deferred.

The electrification of the Noarlunga and Tonsley lines will proceed, as well as the extension and electrification of the line from Noarlunga to Seaford. These lines will be serviced by new electric trains. The re-sleepering of the metropolitan rail network will continue as planned, as well as the construction of St Clair Station and the turnback at Elizabeth Station. We will also proceed with the purchase of new trains, increasing the network capacity by around 25 per cent.

The stage 3A redevelopment of the Queen Elizabeth Hospital will be postponed until 2015–16. A part of the redevelopment of Modbury Hospital will also be postponed until 2016–17. However, the \$17.4 million expansion of the emergency ward at Modbury will go ahead as previously announced.

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The revenue write-downs have made it necessary to defer the abolition of stamp duty on non-quoted marketable securities and non-real property transfers. This will deliver around \$45 million in revenue a year from 2013–14. The government will look to reschedule the abolition of these taxes as its fiscal position allows.

The payroll tax exemption for trainees and apprentices will be replaced with a targeted payment. Registered group training organisations will receive an offset of their payroll tax for apprentice and trainee wages. Other employers will receive incentive payments upon the completion of qualifications by apprentices they employ in priority skill areas. This measure will save \$16.6 million from 2012–13.

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Last year the budget added \$37.5 million over four years in extra resources for disabled people and their carers. I maintain what I said then, that when new money was available, the most vulnerable would take priority.

The day after I delivered last year's budget, I met Enyanaya Idika Uduma at Novita Children's Services. Enyanaya is four and a half years old; he has cerebral palsy and is vision-impaired. He relies not only on care from his mother, Lynda, but also from service providers like Novita.

So when it came time to frame this year's budget, I knew that despite the profound revenue write-downs, the government had to help more children like Enyanaya.

We will provide \$212.5 million in extra funding over five years to support people with disabilities and their carers. The funds will help more people with disabilities choose the services they need.

\$106.1 million over five years will provide extra accommodation and community support, community access and respite services. \$61.5 million will fund the construction of new high quality community-based accommodation.

A further \$2.3 million over four years will be used to establish a disability community visitors' scheme, and \$1 million over the next two years will assist not-for-profit disability service providers to undertake business planning.

I welcome the Federal Government's National Disability Insurance Scheme (NDIS) announcement in its 2012–13 Budget. The scheme will deliver personalised care and support for people with a permanent disability. This budget provides \$20 million over three years from 2013–14 for the establishment of the first NDIS launch site here in South Australia.

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The government will spend \$3.3 million over four years to fund a program to meet the needs of disadvantaged families. A pilot program will begin in Adelaide's northern suburbs to improve the wellbeing of infants and young children, raise parents' awareness of their health needs and, where necessary, provide opportunities for early intervention.

\$2.1 million will be provided in 2012–13 to improve the delivery of electricity to Aboriginal communities in the APY Lands. An additional \$288 000 will provide back-up power generators to guarantee refrigeration of food.

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The threat posed by natural disasters has been brought home in recent years. The Victorian bushfires, the Queensland floods and the severity of the recent storms and floods in South Australia emphasise the importance of being adequately prepared.

CFS volunteers generously give of their time and often put their lives on the line. It is fitting that they have the best equipment.

\$1.5 million will be used to replace breathing apparatus sets to better protect volunteer fire fighters. Another \$2.6 million over four years will be made available for further training for CFS and State Emergency Service volunteers. This will ensure that the state's 18 000 volunteers receive nationally accredited training.

The budget provides \$2 million to upgrade the Metropolitan Fire Services' specialist aerial fire fighting appliances, used to fight fires in multi-storey buildings and medium to high-density housing.

Mobile phone technology has improved the ability to get important messages to the public quickly and reliably. The government will invest \$1.7 million over four years to support changes to the National Emergency Warning System that will enable emergency warning messages to be sent to mobile phones located within an affected area.

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South Australia has the highest number of police per head of population of any state in Australia. This budget continues to make South Australia safer with 300 extra police being employed, including more than 100 this year.

Over the next four years \$37.3 million in new spending will strengthen the state's prison system. There will be 86 new prison beds at Port Augusta Prison, and we will also train and employ 30 new correctional officers.

Electronic security systems at Mobilong Prison will be upgraded and a high dependency unit will be constructed at Yatala Labour Prison, to provide an additional 26 high security beds for ageing and infirm prisoners. Later this year, construction will begin on a new 112 bed cell block at Mount Gambier Prison.

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With unprecedented investment in new mining ventures, the state risks skill shortages in mining, engineering, defence and transport industries with around 25 000 to 30 000 vacancies estimated within the next five years. The state's prosperity depends on our people having the skills needed by these expanding industries.

I realised when I was Minister for Employment, Training and Further Education, that training had not only a narrow economic purpose but could also empower people and transform lives. *Skills for All* will provide industry with the skilled workers it will need, but also enable more South Australians to overcome disadvantage, to get employment for the first time, or to get a better job.

To support this, the government will invest \$38.3 million to establish the Mining and Engineering Industry Training Centre. The Centre will open in June 2014 and provide training for those working in our mining, engineering, defence and transport industries.

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Health has been a priority for this government and at the present time our state has more nurses, doctors, and hospital beds per head of population than any other state in Australia. The number of

doctors per person is 11 per cent higher than the national average and the number of nurses exceeds the national average by 18 per cent.

Health spending accounts for 31 per cent of the state budget. If allowed to grow unabated, it will reduce the government's capacity to invest in other key areas. A new resources unit has been established to build the controls necessary for the Health Department to meet its budget. We will provide \$132 million in 2012–13 and \$35 million in 2013–14 while this work proceeds.

More than 80 per cent of diagnoses made by medical practitioners depend on a pathology result. \$30.4 million will fund the Enterprise Pathology Laboratory Information System. This new system will improve turnaround times for tests, which is particularly important for the clinicians in Emergency Departments.

The budget provides \$142.6 million over ten years for the Enterprise Patient Administration System which will allow doctors to access a patient's records electronically across the health system.

\$18.7 million will be made available over three years for the new Enterprise System for Medical Imaging which will almost completely eliminate the need for hard copy films, film storage, and retrieval costs.

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While we have had to defer or suspend some of the spending foreshadowed in previous budgets, we will continue building for the long-term prosperity of South Australia, with \$10.8 billion committed to infrastructure projects over the next four years.

Beyond their value to future generations, these projects put food on the table for thousands of South Australian families today. Not just those involved directly in construction, but also those countless others who benefit — from the shopkeeper who supplies the pasties and drinks, to the company that supplies the port-a-loos, and the families of those workers.

The government wants to see a more vibrant city and will continue the Riverbank development, the upgrading of the Convention Centre, and the new Adelaide Oval. Our investment over the next four years will put the centre of Adelaide on an equal footing with other state capitals, and will make our first city a more attractive place to live, work and do business.

The government continues to invest in transport infrastructure, including its massive investment in the South Road Superway and the duplication of the Southern Expressway. These projects will be of particular benefit to businesses in the greater Adelaide area, ensuring efficiency for the delivery of heavy freight.

In partnership with the Commonwealth, \$443 million has been allocated to upgrade the Goodwood and Torrens rail junctions, a development that will increase productivity by separating the interstate freight rail line and the Adelaide metropolitan rail network.

The government was wrong when it made the decision to close the Parks Community Centre. We have listened. This budget provides \$28.7 million for the redevelopment of the Centre, revitalizing an important piece of community infrastructure in the north-western suburbs.

The population of Gawler has grown substantially in recent years. Its main street is struggling to carry the increased traffic. \$250 000 is allocated to design a future eastern collector road that will divert traffic from the Gawler town centre. \$13.7 million will also provide critical traffic-related infrastructure for this growing area. The intersection of Main North and Tiver Roads will be upgraded, signalized and connected to a new Gordon Road in Evanston South to form a four-way intersection.

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The construction industry is a key driver of our state economy. Indeed, it is one of our largest employers. The real estate industry, builders and tradespeople have warned me of the fragility of the property market. In such an environment the government has decided that now is not the time to proceed with winding down the First Home Owner Bonus payment. The \$8000 bonus will continue for eligible contracts entered into in 2012–13.

As a further measure, a full stamp duty concession will be made available for off-the-plan apartment purchases in the Adelaide City Council area for two years, with a partial concession available for the following two years.

Together, these measures potentially provide \$31 000 in support for a first home buyer purchasing a city apartment. The government is confident that these measures will support jobs in this critical area and encourage people to make their homes in the city.

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\$11.7 million will be spent to construct a multi-storey car park at the Adelaide Entertainment Centre, to be used as a park'n'ride by day. This is set to increase parking capacity by 602 spaces, enabling people to take advantage of the free tram and so ease city congestion.

The government will also bring forward, by one year, the purchase of 17 new buses to provide additional capacity for the metropolitan bus network. A further \$1.5 million will fund these additional services.

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When the government came to office in March 2002, a mere four mines were operating in this state. The government recognised that our vast mineral resources are deeper in the ground than those in other mining states. We saw the need for investment in the necessary infrastructure to attract mining companies to South Australia, and set up mining-specific initiatives, including the Plan for Accelerating Exploration, known as PACE. Where there were four mines, now there are 20, and there are currently 25 advanced projects under consideration that are set to commence by the end of 2020.

The government is aware that we need to keep investing to attract mining companies to South Australia. The Woomera Prohibited Area is roughly the size of England and worth an estimated \$35 billion of potential development, including iron ore, gold and uranium prospects. A special PACE initiative will be dedicated to the Woomera Prohibited Area in 2012–13. \$2 million will fund a geoscience survey program to support the expansion into this area which is an abundant source of untapped mineral resources.

The state's Drill Core Library facilities are a key part of the government's exploration investment in the minerals and energy industries. We will follow up our spending in 2011–12 with \$760 000 for the initial design work for a new facility. This new, larger library will encourage exploration for minerals, petroleum, and geothermal energy.

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As a state we need our industry to be diverse. Commodity prices may not always be as high as they are today. The rise of Asian manufacturing has forced changes to South Australia's industry. We need to continue being more agile, more adaptive, more innovative.

This budget provides \$8.3 million over four years for the development and implementation of a new manufacturing strategy, which will improve local industry's ability to capture emerging opportunities and fast-track the move of traditional manufacturing into new higher value areas.

Defence industries are the cornerstone of South Australia's advanced manufacturing strategy. When this government came to office it pursued and won defence contracts, with South Australia now responsible for a quarter of the domestic defence procurement awarded by the Commonwealth.

To build on this, \$2 million will be invested for preliminary work to expand the Techport Common User Facility. This will support the increased activity associated with the Air Warfare Destroyer and Future Submarine projects.

The Defence Teaming Centre will be funded \$470 000 a year, so it can continue its work supporting the defence industries that constitute such a critical part of our economy.

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This government values the arts, and is proud of our status as the Festival State. The budget provides \$7.7 million over three years for critical work at Her Majesty's Theatre, and upgrades at the Adelaide Festival Centre.

The Adelaide Symphony Orchestra enriches the life of our city and we will continue to support it by providing \$490 000 indexed from 2013–14. This funding will allow the orchestra to maintain its current ensemble size and perform a full musical repertoire.

When digital film format is adopted internationally in 2013, South Australians in our regions won't be able to enjoy new release films. Digital projection systems will be installed in four regional theatres at Whyalla, Port Pirie, Renmark and Mount Gambier to ensure these theatres can screen digital presentations.

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When my wife is waiting with other mums and dads to collect our kids from school, or when I'm watching my son play soccer and talking to other parents, or having a cup of tea after church, there is a consistent message: families are worried about increasing bills, especially utilities.

In preparing this budget I was determined that the burden from the historic revenue write-down would not be placed on South Australian families. I can therefore announce that no new taxes will be imposed as part of today's budget.

As previously announced, we will provide \$45.7 million for a one-off Water Security Rebate of either \$45 or \$75 depending on usage from 1 January 2013.

We have also made \$4.2 million available over four years for a utilities literacy program and other measures to assist those who are struggling to better manage their household budget.

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When I delivered my first budget, I stated my intention to manage the state's finances prudently and to confine borrowing to sustainable levels. The 2012–13 Budget continues on this course.

These times demand that agencies improve and innovate, to do more with less. I know this will not be popular in some quarters. There are also those who will say we should cut more deeply: abandoning infrastructure projects and compromising services.

However, such an approach is anything but prudent. In the short term it would be destructive for the economy and harmful to jobs. In the long term it would undermine the state's capacity to grasp opportunities and generate wealth.

When I'm sitting with my family at the dinner table, like any other parent, I think about what this state will be like for my children. Many of my generation had to go interstate or overseas to find good jobs.

Now, our kids can look forward to the opportunities emerging here — in this State — and see South Australia as a place they will want to raise their children.

For this reason, we need to think beyond the short term, beyond the noise and bustle of election cycles, to future generations — imagining what we can be in ten, twenty, fifty years time.

This budget is part of our commitment to govern responsibly. It provides strong foundations for a stronger future.

Madam Speaker, I commend the budget to the House.

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