



2009 | 10

# BUDGET OVERVIEW

BUDGET PAPER 1



Government  
of South Australia



# TABLE OF CONTENTS



Treasurer's message	i
2009-10 Budget at a glance	1
Global financial crisis — revenue impact	3
Returning to surplus	4
Infrastructure — creating jobs for South Australians	5
Building a diversified economy	6
In partnership with the Commonwealth	7
Transport	8
Health	9
Families and Communities	10
Education and skills	11
Water	12
Sustainability	13
Regions	14
Tax relief	15
Economic forecasts	16
South Australia's Strategic Plan	17
Guide to the 2009-10 Budget papers	19

# TREASURER'S MESSAGE



International economies including the United States, the United Kingdom and Japan, through to nations such as Ireland and Iceland are wilting in the wake of the economic crisis.

The crisis has claimed international financial institutions and caused many others to be bailed out by central banks and governments at a cost of trillions of dollars.

Economists have described it as a virus and as having a contagion effect — as a result, nearly every advanced economy in the world has been dragged into recession.

Australia and the states are not immune.

The national economy has suffered a double hit. The financial crisis means lenders are reluctant to make capital available; at the same time, the economic difficulties being experienced by many of our trading partners have caused some of our export markets to dry up.

However, after consistent budget surpluses delivered by the Rann Labor Government, South Australia is in a strong position to weather the economic storm.

Just a year ago, the state budget returned a surplus of \$464 million and all budget debt had been eradicated.

In addition, we have invested record sums in our key services in health, education, transport, police and the criminal justice system and in securing our water supplies.



The Rann Labor Government has also delivered billions of dollars in tax reforms, making South Australia a better place to do business and providing an economic environment in which more than 100 000 new jobs were created — two thirds of them full-time.

However the economic crisis has had a devastating impact on the state's revenue.

Since the 2008-09 Budget, GST and state revenues have plunged by billions of dollars.

In the 2008-09 Mid-Year Budget Review, I outlined the government's response to keep the budget in surplus.

Since then the fiscal outlook has continued to deteriorate pushing the budget back into deficit.

The challenge in framing the 2009-10 Budget has been to continue our record investment in critical infrastructure to support jobs and improve key services while maintaining the strength of the state's finances.

In spite of the revenue losses, the measures contained within the 2009-10 Budget will deliver the state back into surplus by 2010-11 and chart a course of debt reduction into the future.

This is a budget that underlines the economic experience of this government.

One that takes prudent, if difficult, decisions and sets out to place South Australia in the best possible position to emerge a stronger, more diverse and more highly skilled economy to take advantage of the opportunities of the future.

A handwritten signature in black ink, appearing to read 'K. Foley'.

Kevin Foley MP

Treasurer

# 2009-10 BUDGET AT A GLANCE

**This budget meets the challenge of declining economic growth in 2009-10 with a record infrastructure spend supporting nearly 14 000 full-time equivalent jobs in the local economy.**

The budget delivers record infrastructure spend of \$11.4 billion over four years.

This includes \$3.9 billion in 2009-10 alone, supporting nearly 14 000 jobs in the local economy.

In partnership with the Commonwealth, the budget provides significant additional funding over the next four years in transport, education, housing and skills to improve services, including:

- \$1.5 billion for new education initiatives including \$842 million for government schools and \$337 million for non-government schools under the Building the Education Revolution initiative;
- \$803 million as part of a \$3.6 billion capital investment in transport, energy and infrastructure;
- \$692 million for Families and Communities including funding to construct 1500 new dwellings, increase disability services and to address

overcrowding and homelessness in indigenous communities; and

- \$155 million to upskill South Australia's workforce.

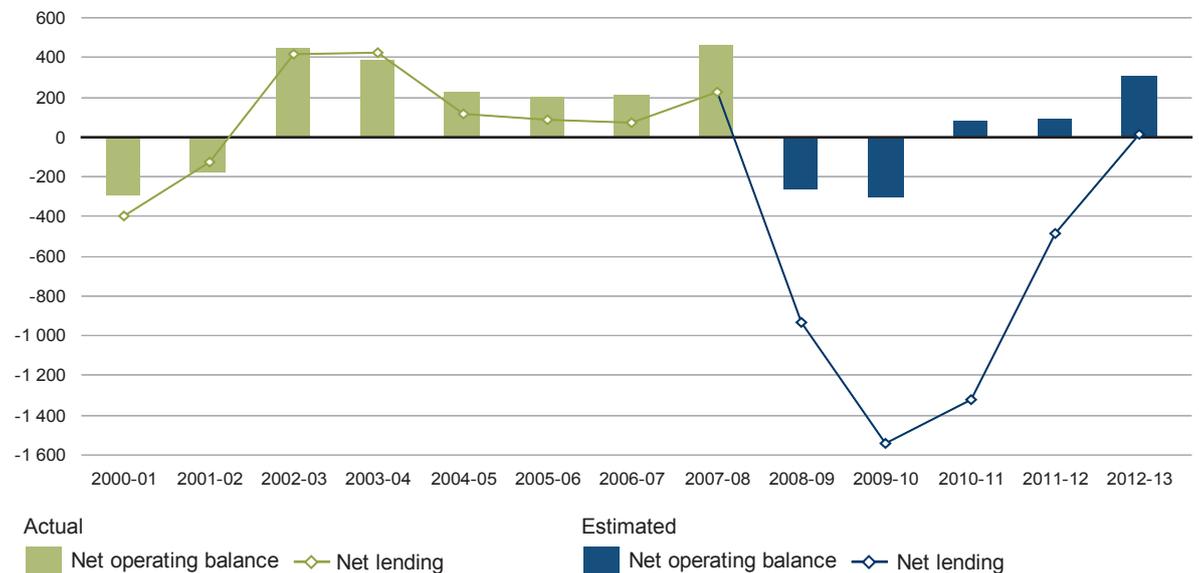
The 2009-10 Budget also provides \$2.1 billion over four years to secure South Australia's water supply.

Over \$4 billion will be spent on health in 2009-10, an increase of \$2 billion or 93 per cent since the government came to office.

As announced in the 2008-09 Budget, from 1 July 2009 the payroll tax rate will be reduced to 4.95 per cent and the tax-free threshold increased to \$600 000. By 2012-13 the Rann Labor Government will have provided \$3.3 billion in tax relief.

Despite the revenue pressures experienced as a result of the global financial crisis, the 2009-10 Budget contains no new taxes.

**General government sector budget surplus/deficit 2000-01 to 2012-13 (\$million)**



# 2009-10 BUDGET AT A GLANCE



**The state has experienced a significant decline in GST and state taxation revenue as a result of the global financial crisis. Notwithstanding this, the government is taking the steps that will return the budget to a surplus.**

Net operating deficits are forecast in 2008-09 and 2009-10, driven by a decrease in GST and state taxation revenue caused by the global financial crisis.

The Commonwealth anticipates that 2009-10 will be a recession year nationwide.

Since the 2008-09 Budget, GST revenue has reduced by \$2.9 billion and state taxation by \$882 million. Despite these losses, the government remains committed to delivering its record capital program to support jobs in the local economy.

New savings of \$831 million announced in the 2009-10 Budget, along with a return to positive GST and taxation revenue growth post 2009-10, support the government's capital program and deliver the budget back into operating surplus over the next four years.

Record infrastructure spending in 2009-10 and 2010-11 accompanies significant net lending deficits in these years with operating surpluses contributing to a return to net lending surpluses in 2012-13 and 2013-14.

At 30 June 2008 net budget debt was eliminated and the government had net financial assets of \$276 million. High levels of investment in capital projects and short-term operating deficits mean net debt will increase over the forward estimates, before moderating in 2012-13 and 2013-14.

The net financial liabilities to revenue ratio is forecast to increase over the forward estimates, peak in 2011-12 as a result of the growth in net debt, but then decline.

These figures are outlined in the table below.

## General government sector budget estimates

		2008-09 Estimated result	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate	2013-14 Projection <sup>(a)</sup>
Net operating balance	\$m	- 265	- 304	78	96	304	480
Net lending	\$m	- 932	-1 541	-1 324	- 483	17	255
Net debt	\$m	659	2 142	2 807	3 200	3 114	2 900
Net financial liabilities to revenue	%	93.1	97.1	103.3	105.7	102.9	97.6

(a) Projections for 2013-14 are based on projections for revenue and expenditure aggregates rather than the detailed build up of portfolio expenditure and individual revenue items, which form the basis of the forward estimates up until 2012-13.

# GLOBAL FINANCIAL CRISIS — REVENUE IMPACT

**The global financial crisis and slowing of the domestic economy has seen GST, taxation and royalty revenue forecasts decline by \$3820 million since the 2008-09 Budget.**

Like other Australian jurisdictions, South Australia has experienced a significant operating revenue loss since late 2008 as a result of the global financial crisis.

Since the 2008-09 Budget, GST, state taxation and royalty estimates have reduced by 9 per cent over the forward estimates.

State taxation revenues are exposed to variations in local economic activity. Slowdowns in growth of values and volumes of transactions impact revenue sources such as conveyance duty.

National economic performance is also a key driver of government revenues. The pool of GST revenue grants is directly influenced by national trends in consumer spending and housing construction.

The total GST pool is expected to contract by 3.0 per cent in 2008-09, compared to the Commonwealth's original budget estimate of growth of 6.2 per cent.

Conveyance duty has shown significant decline since the 2008-09 Budget. It is estimated to be \$181 million or 20.5 per cent lower in 2008-09 compared to budget estimates.

Over the forward estimates growth in taxation and GST revenue is anticipated to recover as economic conditions improve. The growth rates are, however, from a reduced base compared to 2008-09 Budget estimates.

The decrease in GST and taxation revenue has been offset to some extent by a significant increase in grant revenue provided by the Commonwealth.

Over the next four years South Australia will receive \$2.6 billion in one off Commonwealth grant funding. However, this funding is required to be spent on predominantly housing and infrastructure projects and is not available as general purpose revenue.

## Reduction in revenue estimates between 2008-09 Budget and 2009-10 Budget

	2008-09	2009-10	2010-11	2011-12	2012-13 <sup>(a)</sup>	Cumulative
	\$m	\$m	\$m	\$m	\$m	\$m
Taxation	- 138	- 173	- 216	- 194	- 160	- 882
GST <sup>(b)</sup>	- 353	- 634	- 617	- 648	- 625	-2 876
Royalties	- 13	- 40	- 15	1	6	- 61
<b>Total</b>	<b>- 503</b>	<b>- 847</b>	<b>- 848</b>	<b>- 841</b>	<b>- 780</b>	<b>-3 820</b>

Note: Tables may not add due to rounding

(a) 2012-13 revenue estimates were not published as part of the 2008-09 Budget.

(b) 2008-09 GST revenue includes \$34.2 million in transitional assistance grants.

# RETURNING TO SURPLUS



**The 2009-10 Budget includes a strategy to deliver the state back to surplus through strong financial management.**

Since the 2002-03 financial year, the first full year of the Rann Labor Government, surpluses have been delivered. Each budget has sought savings to improve efficiency in the public sector and make additional funds available for services and infrastructure.

The government has cancelled the new prisons and secure facilities project reducing the future debt burden by more than \$500 million. A \$50 million provision has been established for essential works on existing facilities.

The 2009-10 Budget outlines an additional savings target for the public sector of \$150 million in 2010-11, \$250 million in 2011-12 and \$350 million in 2012-13. New savings will not be sought in 2009-10 in recognition of forecast negative economic growth in that year.

To identify measures to improve the budget position, the government will establish a Sustainable Budget Commission. The Commission will include representatives from the Economic Development Board, Social Inclusion Board and central government agencies. It will also have access to external expertise.

The Commission will make its initial recommendations to the government for the 2010-11 Budget.

To meet a proportion of the savings task, the government will seek to limit future wage outcomes to 2.5 per cent per year across the public sector.

Wage restraint is necessary to protect jobs.

Achieving this will save the government up to \$290 million by 2012-13.

## 2008-09 Mid-Year Budget Review

The 2008-09 Mid-Year Budget Review (MYBR) contained measures to reduce debt and improve the state's fiscal outlook in response to the global financial crisis and its impact on the state budget. This included measures to reduce the public sector workforce by 1600 full time equivalents (FTEs), defer a number of capital projects, defer the AAMI stadium redevelopment grant, improve taxation compliance, defer remaining IGA tax reforms and increase the victims of crime levy.

The 2008-09 MYBR also contained measures to realise the value of selected government assets and reduce net debt, comprising the divestment of:

- certain rights to the timber assets of ForestrySA;
- a number of the government's ownership and/or lease rights to commercial properties in metropolitan Adelaide; and
- government employee housing assets in areas where viable rental markets exist.

All three asset realisation measures are proceeding.

# INFRASTRUCTURE — CREATING JOBS FOR SOUTH AUSTRALIANS

**The 2009-10 Budget provides a record \$11.4 billion in infrastructure investment over four years, supporting nearly 14 000 jobs in 2009-10 alone.**

The investment program for 2009-10 is more than five times the level of actual expenditure in 2001-02.

The \$3.9 billion capital program for 2009-10 is equivalent to 5.0 per cent of South Australia's gross state product (GSP), up from 3.0 per cent in 2008-09 and from 1.8 per cent in 2007-08.

The budget delivers \$3.6 billion over four years in partnership with the Commonwealth for transport, energy and infrastructure including:

- \$1.5 billion for major rail projects;
- \$683 million for works along South Road intersections, to continue the transformation of South Road into a non-stop route from the Southern Expressway to the Port River Expressway; and
- \$267 million to continue work on the Northern Expressway.

The budget provides \$1.8 billion (\$332 million in 2008-09 and \$833 million in 2009-10) in partnership

with the Commonwealth for the construction of a 100 GL desalination plant.

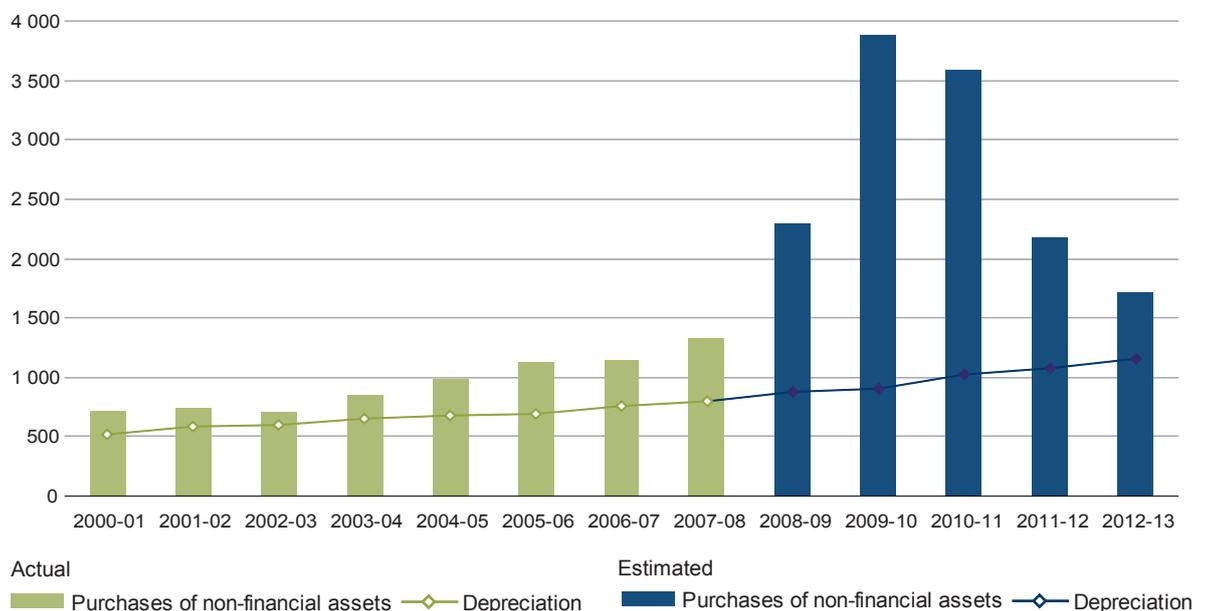
\$1.2 billion over four years will be spent on health including:

- \$200 million on the construction and fitout of a new Health and Medical Research Institute, funded by the Commonwealth Health and Hospitals Fund;
- \$118 million for the Lyell McEwin Hospital Stage C redevelopment; and
- \$112 million to redevelop the Glenside Campus.

\$902 million over three years, commencing in 2008-09, is provided for new infrastructure and facility upgrades for South Australian government schools under the Nation Building — Economic Stimulus Plan.

Around \$600 million will be provided to the South Australian Housing Trust over the next four years to increase the supply and quality of social housing, including housing in indigenous communities.

**Non-financial public sector purchases of non-financial assets (\$million)<sup>(a)</sup>**



(a) Excludes contributed assets.

# BUILDING A DIVERSIFIED ECONOMY



## A record investment in the growth of a strong and diversified economy.

The 2009-10 Budget will support the building of a strong and diversified economy by providing a significant investment in South Australia's infrastructure and services.

The state government has consolidated South Australia's position as the defence state of Australia.

In 2009-10, the Common User Facility will officially open. This has been a \$260 million investment by the government.

The Commonwealth Government will locate a mechanised battalion at Edinburgh in 2011. The location of the 7RAR mechanised battalion in South Australia is estimated to be worth \$107 million and 1675 jobs per year to the state's economy.

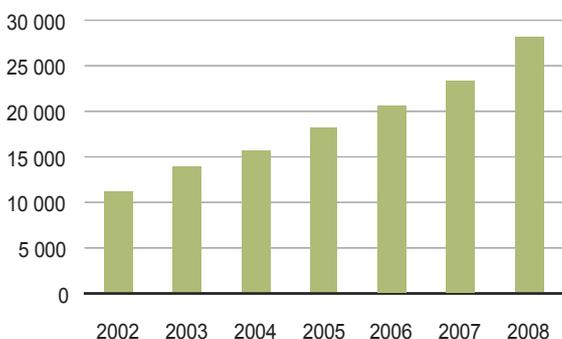
The budget supports the state's tourism industry by providing an additional \$12.0 million over four years for domestic marketing to promote South Australia as a holiday destination.

The 2009-10 Budget also provides \$10.0 million (\$2.0 million per annum) over five years, to support the establishment of a Materials and Minerals Science Learning and Research Hub at Mawson Lakes, and a new Institute for Photonics and Advanced Sensing at the University of Adelaide. This funding attracts Commonwealth support of \$68.8 million for these research facilities.

The budget includes \$0.8 million over four years to attract international students to universities in South Australia.

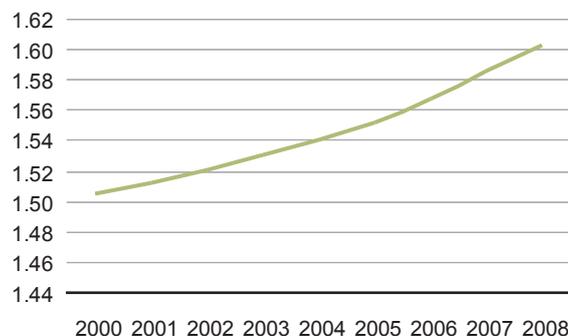
The budget supports future growth in Roxby Downs by providing \$3.2 million over three years to extend the role of the Olympic Dam Taskforce continuing the state's commitment to the expansion of the Olympic Dam project.

**International student enrolments - South Australia**



Source: Australian Education International (DEEWR), International Student Data, December 2008.

**South Australian estimated resident population as at June (million)**



Source: ABS, Australian Demographic Statistics, Population Change Components – States and Territories, Catalogue Number 3101.0.

# IN PARTNERSHIP WITH THE COMMONWEALTH

**Since the 2008-09 Budget, the Commonwealth Government has announced significant additional funding to the state.**

In November 2008 COAG endorsed a new Intergovernmental Agreement that provided South Australia with an additional \$1.25 billion over five years primarily for health, education, skills and affordable housing.

In February the Commonwealth released the Nation Building – Economic Stimulus Plan with five year funding to support jobs and stimulate economic growth. South Australia expects to receive \$1.8 billion that includes funding for education (\$1.3 billion), housing (\$477 million) and transport (\$29.0 million).

The Commonwealth announced in its May budget a Nation Building Plan for the Future. Funding for these important infrastructure projects includes:

- \$294 million to enable the acceleration of the upgrade of the Gawler rail line (brought forward two years);

- \$291 million to extend the Noarlunga rail line to Seaford;
- \$200 million to build a new Health and Medical Research Institute to foster innovation and improvements in health services;
- \$61.0 million to improve the link between the O-Bahn busway and the central business district; and
- \$14.6 million for the Better TAFE Facilities program to modernise and improve the quality of teaching and learning facilities.

The Commonwealth will also provide \$228 million to support the expansion of the capacity of the Adelaide Desalination Plant to 100 gigalitres.

# TRANSPORT



**The 2009-10 Budget provides record investment of more than \$3 billion over four years for transport infrastructure.**

In the 2008-09 Budget, the Government of South Australia made a commitment to a major 10 year program to redevelop, electrify and extend South Australia's public transport infrastructure.

The budget continues to invest in key capital projects for the state's transport network. Public transport initiatives include:

- \$1.5 billion over four years to expand the metropolitan rail network, including new works in partnership with the Commonwealth to extend the Noarlunga line to Seaford and to accelerate the Gawler line upgrade; and
- \$61.0 million over three years for an improved link between the O-Bahn and the central business district.

Other new transport initiatives include:

- \$42.2 million over four years for seniors to travel

free on public transport at interpeak times; and

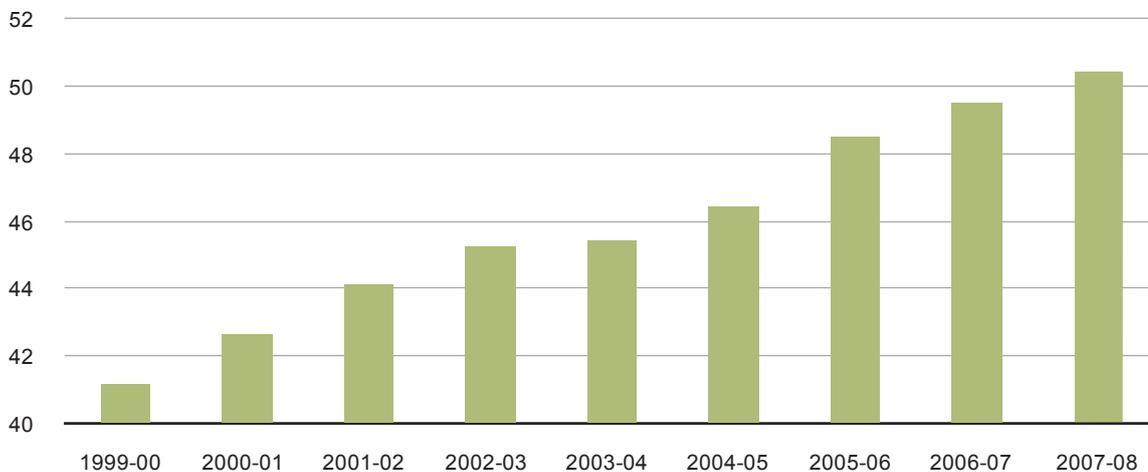
- \$23.0 million over four years to extend the successful road safety program.

The budget invests in our road network with:

- \$683 million to continue to transform South Road into a non-stop route from the Southern Expressway to the Port River Expressway; and
- \$267 million to continue work on the Northern Expressway to link the Gawler Bypass with Port Wakefield Road.

The government is working in partnership with the Commonwealth Government through the Nation Building – Economic Stimulus Plan to deliver \$29.0 million for road maintenance and safety measures (including \$16.5 million in 2008-09).

## Public transport patronage trends – boardings (million)



Source: Department for Transport, Energy and Infrastructure.

# HEALTH

**In 2009-10, health expenditure will exceed \$4 billion for the first time – an increase of \$2 billion or 93 per cent since 2001-02.**

The 2009-10 Budget continues to support health services by providing \$546 million over four years for health initiatives, including:

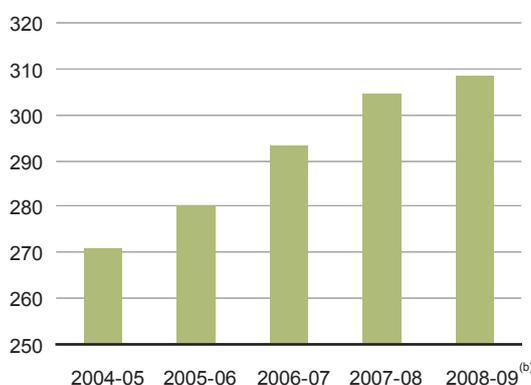
- \$200 million to build a new Health and Medical Research Facility adjacent to the new Royal Adelaide Hospital, funded by the Commonwealth Health and Hospitals Fund;
- \$114 million for increased levels of health services;
- \$60.9 million to improve the operations of emergency departments by increasing access to hospital care, establishing Acute Medical Units and improving patient flow;
- \$53.9 million towards improving indigenous health by providing culturally responsive primary healthcare services and improved patient journeys through hospital;
- \$51.0 million for additional nursing and midwifery positions;

- \$40.0 million towards increasing sub-acute services, including home rehabilitation and a community pharmacy network; and
- \$15.1 million for the SA Ambulance Service to provide more out of hospital emergency medical care.

The government remains committed to the health reform program which includes major investments in hospitals and primary healthcare.

Over the next four years works will be undertaken on redevelopment of the Lyell McEwin (\$118m), Glenside Campus (\$112m), Flinders Medical Centre (\$80.9m), Queen Elizabeth (\$58.6m), Whyalla and Berri hospitals (\$49.6m), progressing the new Royal Adelaide Hospital (\$81.0m) and GP Plus centres at Marion, Elizabeth and Port Pirie (\$46.9m).

**Hospital activity - same day and overnight admissions<sup>(a)</sup> (000s)**

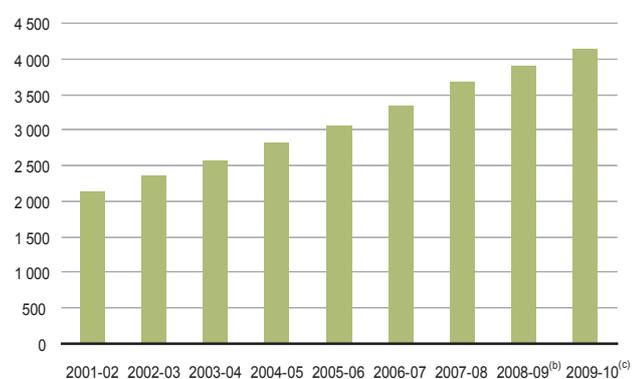


(a) Weighted by resource intensiveness.

(b) Estimate.

Source: Department of Health.

**Health expenditure<sup>(a)</sup> (\$million)**



(a) Based on Government Purpose Classification data which is used to analyse government spending over time.

(b) Estimated result.

(c) 2009-10 Budget.

Source: Final budget outcomes, 2009-10 Budget Papers.

# FAMILIES AND COMMUNITIES



## Continuing support for social housing, disability services and indigenous communities.

The budget provides a substantial investment in partnership with the Commonwealth of \$692 million over four years for social inclusion, disability services and those in need of housing and other support services including:

- \$458 million over three years to increase the supply of social housing as part of the Nation Building – Economic Stimulus Plan, including:
  - \$443 million for new purchases and construction of 1500 homes; and
  - \$15.0 million for the upgrade and maintenance of existing housing stock;
- \$124 million to address housing issues and reduce overcrowding and homelessness in indigenous communities;
- \$65.0 million for social inclusion initiatives to reduce homelessness and support social inclusion programs;

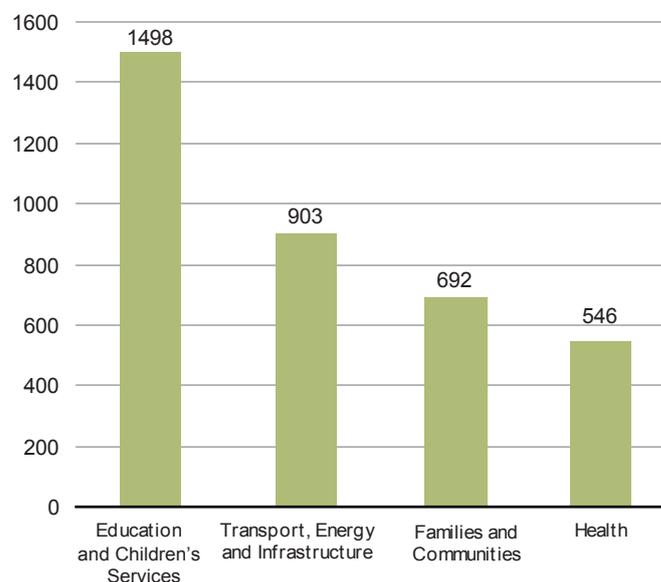
- \$23.3 million to support disability services; and
- \$17.9 million to increase the supply of affordable, safe and sustainable housing, including:
  - \$14.9 million as part of the National Partnership Agreement on Social Housing; and
  - \$3.0 million as part of the National Affordable Housing Agreement.

An additional \$93.2 million is provided in 2008-09 for these initiatives.

In addition, the budget also includes:

- \$7.1 million (in addition to \$0.8 million in 2008-09) to improve government coordination and service delivery in remote communities; and
- \$5.2 million (in addition to \$0.4 million in 2008-09) to assist in generating sustainable employment opportunities for indigenous Australians.

**New net spending in key areas (\$million over four years)**



# EDUCATION AND SKILLS

**The 2009-10 Budget delivers a record investment in our schools, with \$2.3 billion of education spending in government schools in 2009-10 to meet the needs of students.**

The budget provides \$902 million in partnership with the Commonwealth for government schools and \$363 million for non-government schools (over three years commencing in 2008-09) under the Building the Education Revolution initiative.

The budget provides substantial resources in partnership with the Commonwealth to improve educational outcomes in the government education sector. In 2009-10 spending per government school student will be a record \$12 627, an increase of \$5029 per student since 2001-02. Initiatives include:

- \$108 million over four years to improve school management, teaching and learning opportunities within low socio-economic status schools;
- \$72.5 million over three years to improve the ratio of computers to students in years 9 to 12 under the Commonwealth's Digital Education Revolution program;

- \$65.1 million over four years to provide access to an early childhood education program for all children in the year before formal schooling by 2013;
- \$51.1 million over four years for primary school maths and science programs; and
- \$8.1 million in 2008-09 and 2009-10 to improve literacy and numeracy outcomes in schools and \$4.5 million over four years (including 2008-09) to improve teacher quality.

## Skills

- The 2009-10 Budget invests in the upskilling of our workforce to increase employment and productivity and facilitate future economic growth.
- The budget provides \$155 million over four years in partnership with the Commonwealth to address skills shortages by improving training opportunities for job seekers and encouraging people in the workforce to further their education.
- The budget provides \$19.2 million over four years to improve pathways to learning or earning for young people and to assist disadvantaged members of our community to gain employment.

# WATER



**The 2009-10 Budget provides \$2.1 billion over four years to secure South Australia's water supply.**

In 2009-10, \$833 million will be spent on the \$1.8 billion 100 gegalitre Adelaide Desalination Plant that will deliver first water by December 2010.

The budget provides \$52.3 million for projects to increase stormwater reuse.

The budget provides \$165 million in 2009-10 and \$414 million over four years on major projects to upgrade and expand wastewater treatment plants and water recycling infrastructure including:

- the Glenelg to Adelaide Parklands Recycled Water Project;
- the Southern Urban Reuse Project; and
- upgrades of wastewater treatment plants at Christies Beach, Aldinga, and Glenelg.

Funding of \$29.0 million will be available over two years for rebates to foster rainwater harvesting and reduction of water use in the home.

A further \$8.2 million in 2009-10 will be spent on initiatives to minimise the impacts of the current drought and ensure water supply to the more than 90 per cent of South Australians who rely on the River Murray.

## River Murray Futures

The 10 year \$530 million Murray Futures program is an integrated package to sustain, support and reinvigorate communities and industries within the Murray-Darling basin in South Australia, including:

- \$120 million for construction of an integrated pipeline network to improve water security and guarantee consistent water quality for communities currently sourcing water from the Lower Lakes, including:
  - a pipeline to deliver irrigation water to the Langhorne Creek and Currency Creek communities; and
  - a pipeline to supply potable water to communities in the Lower Lakes area.
- \$200 million on the recovery of the Lower Lakes and the Coorong;
- \$110 million on the River Industry Renewal project to improve irrigation systems and practices including the uptake of newer and smarter technology; and
- \$100 million on a 10 year Riverine Recovery project to improve management of the wetlands, floodplains and backwaters from the SA border to Wellington.

# SUSTAINABILITY

## The 2009-10 Budget supports sustainability and climate change initiatives.

The budget provides significant support for sustainability and climate change initiatives, including:

- \$20 million over two years for the Renewable Energy Fund to support research, development and commercialisation of renewable energy technologies in South Australia. The Fund will:
  - assist South Australia to meet its renewable energy targets;
  - provide \$800 000 per annum over two years to support the South Australian Centre of Excellence for Geothermal Research;
  - be overseen by a new Renewable Energy Board, whose mandate will be to increase renewable energy investment in the state; and
  - be supported by a Renewable Energy Commissioner, who will coordinate efforts across government;
- \$2.2 million over four years to contribute to the implementation of the National Strategy for Energy Efficiency and reduce energy costs for South Australian consumers;
- \$709 000 over two years to support the Darwin to Adelaide Global Green Challenge; and
- \$400 000 over two years for sector agreements with industry and community groups to facilitate achievement of emissions reduction targets.

### Renewable Energy Target

The Commonwealth Government is committed to increasing the national Renewable Energy Target by more than four times, to ensure that 20 per cent of Australia's electricity is produced from renewable sources by 2020.

South Australia has already established a 20 per cent by 2014 renewable electricity generation target, which it expects to meet ahead of schedule. To stimulate additional investment in renewable energy and accelerate growth in green jobs, South Australia will increase this target, seeking to achieve one-third of electricity generation from renewable sources by 2020.

# REGIONS



**The 2009-10 Budget invests in projects and initiatives to support the continuing viability of regional South Australia in the face of the current difficult economic and climatic conditions.**

The budget provides \$184 million over four years, in addition to \$31.1 million in 2008-09, for drought relief and water security initiatives, including:

- \$104 million over two years in partnership with the Commonwealth for the Exceptional Circumstances interest rate subsidy program;
- \$27.8 million over four years, plus \$0.4 million in 2008-09, for the upgrade and construction of water and wastewater infrastructure by SA Water;
- \$21.9 million in 2009-10, plus \$4.3 million in 2008-09 for the construction of environmental flow regulators in the Goolwa Channel; and
- \$18.9 million over two years, plus \$1.9 million in 2008-09, for the continuation of drought response measures.

Housing, infrastructure and government service delivery in indigenous communities is supported

with \$147 million over four years, in addition to \$56.4 million in 2008-09.

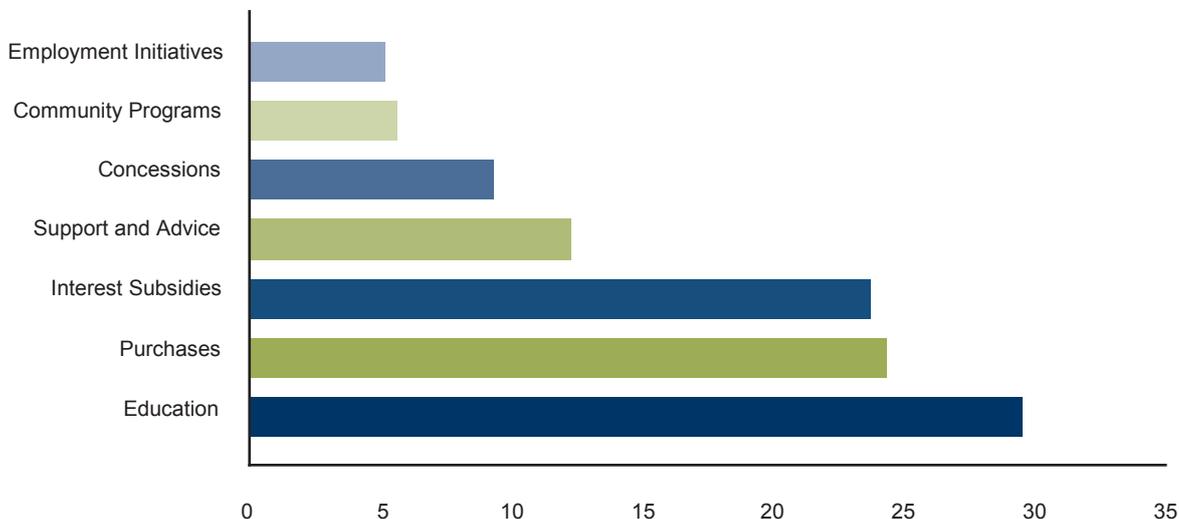
The budget also provides \$101 million over four years to upgrade the South Australian Government Radio Network (SAGRN). The SAGRN is an effective and critical element of the state's police and emergency services capabilities.

The successful rural road safety program will be extended with \$23.0 million provided over four years.

A grant of \$6.0 million in 2010-11 will be made to assist the Royal Flying Doctor Service to purchase new aircraft.

The budget also provides \$21.1 million over three years to upgrade six schools in regional areas.

**State drought support expenditure 2006-07 to 2010-11 (\$million)**



# TAX RELIEF

**The 2009-10 Budget contains no new taxes. Tax measures implemented over the next four years, including significant payroll tax relief, will benefit thousands of South Australian businesses.**

Previously announced measures, taking effect over the forward estimates period, continue the government's commitment to tax reform.

When fully implemented, by 2012-13, the Rann Labor Government reforms will have provided \$3.3 billion of tax relief.

As announced in the 2008-09 Budget, from 1 July 2009 the payroll tax rate will be reduced to 4.95 per cent and the threshold increased from \$552 000 to \$600 000, delivering \$83 million of relief over the forward estimates.

Around 6700 employers are expected to benefit from these reforms, including an estimated 180 employers who will no longer be liable for payroll tax when the threshold increases to \$600 000.

This will bring the total payroll tax relief measures under the Rann Labor Government to over \$1 billion by 2012-13.

Remaining mortgage duty and rental duty will be fully abolished from 1 July 2009.

The final one third reduction will provide \$138 million of relief over the forward estimates. This brings the total relief provided, since the phased abolition commenced in 2007-08, to \$497 million by 2012-13.

Stamp duty on transfers of non-quoted marketable securities and business related conveyances (other than land and buildings) will be abolished from 1 July 2012.

Land tax relief will be provided for Commonwealth approved, residential aged care facilities, effective from 2009-10, at an estimated cost of \$6.2 million over four years.

Relief from the natural resource management levy will be provided to levy payers in drought affected River Murray areas in 2009-10.

## Cost of payroll tax relief provided since 2004-05 (\$million)

	2004-05 to 2008-09	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
<b>From 1 July 2004</b>					
Rate reduction 5.67% to 5.5%	136.1	33.1	34.5	36.9	39.7
<b>From 1 July 2007</b>					
Rate reduction 5.5% to 5.25%	86.1	47.7	49.9	53.3	57.3
<b>From 1 July 2008</b>					
Rate reduction 5.25% to 5.0%	43.2	48.1	50.3	53.8	57.7
Threshold increase from \$504 000 to \$552 000	9.8	10.9	11.3	12.1	13.0
Harmonisation measures	8.3	9.5	10.0	10.5	11.0
<b>From 1 July 2009</b>					
Rate reduction 5.0% to 4.95%	—	8.7	9.9	10.6	11.4
Threshold increase from \$552 000 to \$600 000	—	9.1	10.3	11.1	11.9
<b>Total</b>	<b>283.5</b>	<b>167.0</b>	<b>176.3</b>	<b>188.3</b>	<b>201.9</b>

Note: Totals may not add due to rounding.

# ECONOMIC FORECASTS



**In the 2009-10 financial year, South Australia's economy is forecast to contract. However, the state government's infrastructure program will soften the impact of the downturn.**

Deteriorating global economic conditions have been affecting the South Australian economy since late 2008.

Reduced business investment and slowing growth in consumer spending, along with the impact of the ongoing drought and water allocation constraints facing agricultural producers are all contributing to slower economic growth.

However, dwelling construction remained relatively solid during 2008, with dwelling commencements reaching their highest calendar year level since 1985, and population growth at its highest level since the mid 1980s.

In line with the national economic outlook, South Australia's economy is forecast to contract by ½ per cent in 2009-10, and employment is forecast to fall by 1½ per cent through the year to the June quarter 2010.

Unemployment rate forecasts are not published in the state budget. However, it is considered that the outlook for unemployment in South Australia is similar to that of the nation. Commonwealth Treasury predicts that the national unemployment rate will grow to 8¼ per cent by June quarter 2010 and 8½ per cent by June quarter 2011.

While a large number of business investment projects remain in the pipeline in South Australia, current constraints on credit and weak demand may see some business investment projects put on hold, dampening activity in the short-term. The state government's infrastructure program will provide some offsetting stimulus, with capital spending forecast to grow from 1.8 per cent of GSP in 2007-08 to 5.0 per cent of GSP in 2009-10 and support nearly 14 000 jobs.

## Key assumptions underlying the budget and forward estimates — South Australia

	2008-09 Estimate	2009-10 Forecast	2010-11 Forecast	2011-12 Projection	2012-13 Projection
<b>South Australia</b>					
Gross State Product - real growth (%)	1	- 1/2	2 1/4	4 1/4	4 1/4
Employment - growth (%) <sup>(a)</sup>	3/4	-1 1/2	1/2	2 1/4	2 1/4
<b>Australia</b>					
Gross Domestic Product - real growth (%)	0	- 1/2	2 1/4	4 1/2	4 1/2
Employment - growth (%) <sup>(a)</sup>	- 1/4	-1 1/2	1/2	2 1/2	2 1/2
Unemployment rate <sup>(b)</sup>	6	8 1/4	8 1/2	7 1/2	6 1/2

(a) Through the year to the June quarter.

(b) The unemployment rate is the rate in the June quarter.

# SOUTH AUSTRALIA'S STRATEGIC PLAN

## Objective 1: Growing Prosperity

The 2009-10 Budget includes a record infrastructure investment of \$11.4 billion over four years supporting nearly 14 000 FTE jobs in the local economy.

The budget measures to grow prosperity include:

- \$155 million over four years, in addition to \$1.8 million in 2008-09, to address the skills shortage by improving training opportunities and encouraging people to further their education;
- \$101 million over four years to provide for a digital upgrade to the South Australian Government Radio Network and maintain an effective and critical element of the state's police and emergency services capabilities;
- \$10.0 million over five years commencing in 2009-10 to support the establishment of a Materials and Minerals Science Learning and Research Hub at Mawson Lakes and a Institute for Photonics and Advanced Sensing at the University of Adelaide; and
- \$3.2 million over three years to support future growth in Roxby Downs by extending the role of the Olympic Dam Taskforce as part of the state's commitment to the expansion of the Olympic Dam project.

## Objective 2: Improving Wellbeing

The 2009-10 Budget contains initiatives to improve the wellbeing of South Australians including:

- \$546 million over four years for health initiatives;
- \$23.0 million over four years (in addition to \$4.9 million in 2008-09) to improve rural road safety;
- \$6.0 million in 2010-11 to support the purchase of aircraft by the Royal Flying Doctor Service;
- \$3.3 million for a new police station at Yalata, \$2.4 million to expand DNA testing services and \$2.4 million for video conferencing facilities in prisons;
- \$1.7 million to upgrade the SANTOS Stadium running track and a \$1.1 million grant to Surf Life Saving SA; and
- opening of the new State Aquatic Centre in June 2010.

## Objective 3: Attaining Sustainability

The 2009-10 Budget supports attaining sustainability initiatives including:

- \$772 million over four years for the public transport system in partnership with the Commonwealth including \$354 million to extend the Noarlunga rail line to Seaford, \$190 million to accelerate the upgrade and electrification of the Gawler rail line, \$42.2 million for free interpeak travel for Seniors Card holders and \$23.3 million in operational support for public transport services;
- \$20 million over two years for research, development and commercialisation of renewable energy technologies and \$2.2 million over four years to contribute to implementation of the National Strategy for Energy Efficiency and reduce energy costs for consumers; and
- \$4.5 million over four years for initiatives to reduce the impact of bushfires, including more fire management rangers and increased fire fighting capacity.

# SOUTH AUSTRALIA'S STRATEGIC PLAN



## Objective 4: Fostering Creativity and Innovation

The 2009-10 Budget provides support for the fostering of creativity and innovation including:

- \$2.5 million over four years to upgrade infrastructure at the Art Gallery of South Australia, museum and State Library;
- \$2.2 million over four years for continuation of the Thinkers in Residence program;
- \$1.8 million in 2009-10 to support staging of the 50th Adelaide Festival of Arts; and
- \$1.0 million over four years for continuation of the highly successful Little Big Book Club to develop early childhood reading and literacy throughout the South Australian community.

The government remains committed to \$78.2 million in 2009-10 for the state's major artistic and entertainment facilities, including \$46.0 million for the Adelaide Entertainment Centre, \$30.1 million for the Adelaide Film and Screen Hub and \$2.0 million for the Adelaide Festival Centre.

## Objective 5: Building Communities

The 2009-10 Budget provides support for building communities including:

- \$104 million over two years for the joint Commonwealth/State Exceptional Circumstances interest rate subsidies assistance program;
- \$19.2 million over four years to improve pathways to learning or earning for young people and to assist disadvantaged members of our community to gain employment;
- \$18.9 million over two years for extension of state drought measures for farm businesses and rural communities; and
- \$1.2 million over four years for additional public transport services in the Playford and Willunga/McLaren Vale areas.

## Objective 6: Expanding Opportunity

The 2009-10 Budget provides substantial resources over four years for expanding opportunity including:

- \$476 million for social housing;
- \$124 million for housing in indigenous communities;
- \$108 million, in addition to \$1.1 million provided in 2008-09, for low socio-economic status schools;
- \$65.0 million for homelessness and social inclusion;
- \$65.1 million, in addition to \$0.3 million provided in 2008-09, to provide access to an early childhood education program for all children by 2013;
- \$51.1 million for primary school maths and science programs; and
- \$23.3 million for disability services.

# GUIDE TO THE 2009-10 BUDGET PAPERS

## **1 Budget Overview 2009-10**

The Budget Overview provides a summary of the 2009-10 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 4 June 2009.

## **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 on regional areas.





**Government  
of South Australia**