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Budget Speech 2011–12

*Delivered on 9 June 2011, on the second reading of the Appropriation Bill 2011,
by the Hon. J.J. Snelling, M.P., Treasurer of South Australia.*

Madam Speaker, when this government came to office in March 2002, we had a clear vision for this state.

We envisaged a South Australia that had shed the ‘rust bucket’ tag and rebuilt prosperity on its natural endowment of minerals, a renewal of its infrastructure and a highly skilled workforce to match the needs of a modern economy. We were also dedicated to a South Australia that took seriously its obligations to the most vulnerable of its people.

But all this, Madam Speaker, rests on the bedrock of the prudent stewardship of the state’s money. All of us know the dangers of borrowing to finance your day-to-day expenses — sooner rather than later those credit card bills catch up with you. But that is not to say that it doesn’t make sense to take on debt to buy a house for example, or perhaps buy a car or get a qualification that is going to increase your ability to earn. What is true for individuals and families is true for governments; taking on debt to build new infrastructure which will benefit future generations is prudent — to take on debt merely to pay for the running costs of government is tantamount to stealing from our children. It obliges them to pay tomorrow what we can’t or won’t pay today. That is why I cannot agree with those, however well meaning they might be, who blithely recommend running up debt as a quick fix.

When putting this budget together, there were three priorities:

- that whatever new money in the budget was available, more would be made available to the most vulnerable. The Labor Party was established to provide a voice for those who could not be heard. That was what inspired me to join the Labor party 21 years ago
- that the government continued the massive infrastructure investment that will transform our state and renew its capital as a modern, vibrant polis
- that debt was kept to sustainable levels that are consistent with a triple-A credit rating.

This is a budget for mums and dads who want to be confident that South Australia will be the place where their children, in turn, will want to raise their families. It’s a budget that delivers confidence to those who are looking to invest in our state and create jobs. And it’s a budget that provides for those most in need of our support.

I spent eight years as a backbench MP and met hundreds, perhaps thousands, of people asking me to intervene on their behalf. What always cut me to the quick were the parents of adult children with a profound disability, usually in need of help that allowed them to continue looking after their son or daughter at home. I particularly remember one couple and their wheelchair-bound daughter in her early 20s. They had given their all in caring for her — their dedication was of a depth that only such a parent can know. I know a little about caring for small children, perhaps not as much as my wife, but

enough to recognise how draining it is. But with my six, I have always understood they'll soon be able to care for themselves. For those parents who do not have that day to look forward to — it can only be a constant struggle.

We need to do all that is within our means to help these parents, many of whom live with the anxiety of not knowing who will care for their children when they are no longer able to do so. It is just that we help these parents to continue caring for their children as long as they can.

The budget provides \$37.5 million over four years for extra resources for disabled people and their carers. This delivers continuing funding for anticipated growth in demand for disability services.

Further, \$10.8 million over four years will provide disabled people with access to the equipment they need to improve their quality of life and independence. No disabled person should languish on a waiting list for the equipment he or she needs to have an active and independent life.

\$7.7 million over four years will get 32 residents out of the Strathmont Centre and into better-suited supported accommodation in the community.

For a variety of reasons, sometimes children need to be removed from their homes and taken into state care for their own protection. Sadly, despite all our efforts, this is occurring more frequently. \$41.7 million over four years, along with \$8.4 million to build more accommodation, will provide for growth in the number of children entering state care in the future. A motel room is no place for a child who has suffered the disruption of being removed from his or her family.

Taking children from their families should always be a last resort and this budget also provides the wherewithal for programs designed to strengthen families and reduce the number of children having to stay in state care. \$19 million over four years will increase services that allow children to be returned to their families and provide home-based support to maintain a stable and safe home environment.

Many members will be aware from their own constituents of the need for extra help for low-income people who require heating and cooling for a medical condition. Even mildly hot days can be debilitating for people with multiple sclerosis, Parkinson's and other illnesses if they do not have adequate air conditioning. \$1.8 million over four years is provided in this budget to a medical heating and cooling concession for people on low incomes who because of a medical condition need to use air-conditioners to control the symptoms of their disease. People who qualify under existing criteria for a concession on energy costs, and who also have a prescribed condition that requires temperature regulation, will have the current energy concession doubled to a maximum of \$316 in 2011–12 rising to \$330 a year in 2012–13.

The budget continues the government's strong record in health. It gives an extra \$133.3 million over four years for our health system including more doctors, more nurses and more health workers in our hospitals to meet growing demand.

Madam Speaker, too many women still die of breast cancer. If it's detected early, breast cancer survival rates are high. \$19.3 million over four years will increase and support digital screening services at BreastScreen SA. The replacement of old analogue with digital technology will improve productivity and screening times and, together with the extra support, will mean that 23 000 more South Australian women will be screened.

Difficult decisions needed to be made last year because of falling GST and taxation revenue.

And it would be a surprise to no one that some decisions did not sit easily with us.

Since becoming Treasurer, I have been determined to make myself available to those aggrieved by savings measures to hear their concerns. I have met with relevant unions — in particular the Public Service Association. I also from the outset made clear that it would be difficult to unwind any of the measures in last year's budget.

So I'd like to thank all involved for the constructive professional approach they have brought to these discussions. I certainly have a better appreciation of how the changes affect public sector workers — especially the lowest paid.

From these discussions:

- the government will not proceed with the abolition of 17½% leave loading for public sector employees. The Budget Bill will repeal the relevant sections of the *Statutes Amendment (Budget 2010) Act 2010*
- the government will proceed with the removal of extra long service leave for public sector employees from 1 July this year. However, we recognise the importance of skills retention in the public sector and will swiftly establish a senior representative group to make recommendations on appropriate inducements designed to retain and recognise experience in the public sector
- the government will honour the Premier's pledge for a 'no forced redundancy' policy for the duration of this term of government. From 2014, public sector employees who have been on the redeployment list for more than 12 months will be able to be separated in accordance with the *Public Sector Act 2009*
- to provide better help to state employees trying to find a new position, a central redeployment unit will be created to re-train, support and place redeployed public sector employees. This unit will have appropriate authority to match and place those redeployed to appropriate jobs anywhere across government.

I believe that these measures are a reasonable compromise.

It is necessary that we continue to invest in measures to protect South Australians from crime and natural disasters.

DNA analysis can solve many crimes that, until recently, would have been considered unsolvable. The state's forensic services need more resources for an increasing workload as this new technology comes into its own. \$2.1 million over four years will provide further support for DNA analysis and forensic services. It will bring more criminals to justice and allow closure for victims and their families.

The budget also provides \$11.4 million to create a public integrity office.

The 2009 Victorian bushfires showed us that, despite the best equipment and modern firefighting techniques, there is always the potential for major disaster. Good rains this winter could create the sort of tinderbox conditions for the bushfire season that firefighters dread.

The Royal Commission into the Victorian bushfires highlighted the importance of prescribed burning to reduce the fuel load in danger areas. In today's budget, by 2014–15, there will be extra resources of

\$7.3 million every year for prescribed burning. The program will reduce the risk of significant bushfires on public land that can threaten homes, farms and businesses. The extra resources will provide an extra 56 positions to manage the burning, 13 permanent and 43 seasonal firefighters. There is also an ongoing investing budget of \$1.0 million a year for the purchase of fire management equipment, including firefighting appliances and bulk water carriers.

Our CFS and SES volunteers give freely of their time to provide help when it's needed. It's only proper that as a state we make sure those volunteers get the best possible training. \$2.1 million over four years for extra training resources will ensure that our CFS and SES volunteers are ready should disaster strike.

Since 2002, this government has made education a priority. We want the best start for every child and this year we are investing \$2.66 billion in education and children's services. That includes relief for school communities of \$16.6 million over five years to help reduce the pressure of rising electricity costs.

This budget continues the government's massive infrastructure investment.

When I finished University in the early 90s, South Australia was somewhere many of our best and brightest left to pursue a career overseas or interstate.

The government's hard work over almost a decade is changing this. The coming decade will see a massive expansion of our state's economic potential. As a government we can either ride its coat-tails, or put the policies in place that will drive this transformation and make the most of the opportunities it offers.

The four years of forward estimates in this budget contain a major investment program of \$9.1 billion that will rebuild and expand South Australia's strategic economic and social infrastructure including:

- the electrification of the Gawler rail line
- the Seaford rail upgrade
- the creation of the South Road Superway
- the duplication of the Southern Expressway
- the new Sustainable Industries Education Centre at Tonsley.

Our investment program for 2011–12 alone is \$3.369 billion which includes several new projects.

As fuel prices rise, more people make the decision to catch public transport into the city. The Park 'n' Rides along the O-Bahn track that I'm familiar with are especially popular. But as anyone who uses them can tell you, they need to be enlarged. \$17.1 million will increase the capacity of Park 'n' Rides and improve passenger amenity and safety at interchanges along the O-Bahn bus corridor. To meet increased demand the government will purchase seven extra buses and improve public transport accessibility across the entire metropolitan network.

Nearly two-thirds of our road deaths every year are on rural roads—often because of drivers losing control after running off the road. \$54.8 million over four years will continue the successful rural road shoulder sealing, the rural freight improvement program and extra regional road rehabilitation works. It will extend road-surfacing works to improve the condition of regional road pavements.

The metropolitan rail revitalisation project will see a big increase in the frequency of trains. \$50 million is now budgeted to install a state-of-the-art computerised train protection system that will make our trains safer.

I visited Trinity Gardens and Blackforest Primary Schools when I was Road Safety Minister because parents were worried it was only a matter of time before a red light runner at their school crossings killed a child. Both schools are located on major arterial roads. \$7.4 million will fund the installation of pedestrian crossing safety cameras at school crossings on high-risk arterial roads like those at Trinity Gardens and Blackforest Primary Schools. It will also pay to install mid-block and point-to-point safety cameras to reduce speeding.

The government has a proud history in the arts. The move of the Fringe to an annual event has drawn bigger crowds and now brings a carnival atmosphere into the city every year. From next year, the Festival will itself at last become an annual event, and be better funded and better able to compete with other annual events. It is therefore clear that the use of Festival Theatre, which has never had a significant upgrade, will increase substantially. Today's budget provides \$750,000 to plan for a major refurbishment of the Adelaide Festival Centre, in line with the government's phased redevelopment of the Riverbank precinct.

I am confident these combined measures will achieve the government's aim of restoring Adelaide as the pre-eminent arts festival of the nation.

The budget also provides \$1.2 million to support extra programming at the Art Gallery of South Australia.

The South Australian economy is expected to maintain solid economic growth over the next four years.

Economic growth of 2¾ percent a year is forecast from 2011–12 through to 2014–15. Employment growth is expected to be 1½ percent in both 2011–12 and 2012–13.

Nevertheless, several risks to the economic outlook remain. While the world economy has continued to recover from global recession, there are still risks associated with the sovereign debt problems of some European Union nations, the United States' fiscal position and the speed and strength of the Japanese recovery following the recent earthquake and tsunami.

The performance of some sectors of the South Australian economy continues to be challenged by the high Australian dollar.

For this financial year and the next one, taxation, GST and royalty revenue will be almost \$650 million lower than had been estimated for the same period before the global financial crisis. As recently as a month ago, the Commonwealth informed Treasury of a projected reduction in the GST take across the nation of \$1.5–1.6 billion per year and a consequent reduction for South Australia.

Households, some perhaps for the first time in generations, are saving and paying down debt. This has some economic benefits as banks are provided with more domestic liquidity for investment and interest rates are kept lower. But with 29% of state revenue derived from GST transfers, the budget's bottom line has been hit hard. This drop in GST and taxation revenue since the 2010–11 Budget puts back a year the return to surplus of the net operating balance. But by keeping a tight reign on new spending we will return the budget to surplus in 2012–13, with the surplus growing to \$655 million in 2014–15.

The largest program of infrastructure renewal in our state's history means there will be net lending deficits to 2013–14.

Net debt is forecast to peak at \$4.2 billion in 2013–14 and then decline to \$3.6 billion in 2014–15. These are big numbers in anyone's language but, to provide some perspective, you need to remember that the budget this year is \$16 billion. This debt is akin to a household with a yearly income of \$100 000 having a mortgage of around \$26 000—a moderate amount of debt. But to be doubly prudent, we're also building into the budget the capacity to pay down this debt sooner rather than later.

The net financial liabilities to revenue ratio—which is an important indicator the rating agencies look at because it shows our capacity to pay what we have borrowed—is forecast to peak in 2013–14. The ratio then declines to below 90 per cent.

To ensure that we are only spending what we can pay for, the budget provides for modest net extra operating savings of \$38.4 million over four years:

- the government will seek a further 400 FTE reductions, to be completed in the financial years 2012–13 and 2013–14. This will deliver savings of \$31 million every year once fully carried out
- the \$8000 first home bonus grant, which is currently available for eligible first home buyers who purchase or build a newly constructed home, will be reduced to \$4000 from 1 July 2012 and abolished from 1 July 2013. First home buyers will continue to be eligible for the \$7000 First Home Owner Grant. The phased abolition of the first home bonus grant will save \$21.3 million over the next four years
- \$2 million a year as a result of further streamlining SAFECOM's functions.

The budget includes some minor revenue measures including:

- the introduction of annual liquor licence fees will provide \$3.6 million a year to cover the cost of liquor regulation
- registration fees for motor vehicles will increase slightly above inflation to raise an extra \$2 million every year to fund extra road resurfacing and rehabilitation works to improve the condition of South Australia's regional road networks. Kangaroo Island will be the first beneficiary of this measure.

A small part of our \$9.1 billion capital investment will be slightly delayed. This will reduce expenditure over the next four years by \$396.4 million.

- The standardisation of the rail network has been rescheduled and will now commence in 2015–16. The Outer Harbor Electrification project will now be finished in 2015–16. These changes result in lower expenditure over the next four years of \$192.7 million.
- The replacement of the existing plenary building at the Convention Centre has been rescheduled and will now begin in 2015–16, lowering expenditure over the next four years by \$107.8 million.
- Oaklands Park road capacity improvements — it is clear the upgrade of the junctions of Diagonal Road, Prunus Street and Morphett Road at Oaklands Park will not achieve what was originally planned. \$2 million has been allocated to plan a new design that will reduce congestion, particularly in the light of the increasing frequency of trains once electrification is completed. This redesign removes \$41.6 million over the next four years and the new plan will be considered once it is completed.
- The Queen Elizabeth Hospital Stage 3A redevelopment — which follows the \$127 million Stage 2 redevelopment which will be completed in 2012 — has been delayed to start in 2013–14. This has reduced spending over the next four years by \$30.0 million.
- The Noarlunga Health Service Redevelopment — Stage 2 will now begin in 2013–14 saving \$24.4 million over the next four years.

SA Lotteries will be licensed under strict conditions to a private operator. It will remain government-owned.

The gambling market has changed considerably since the 1960s when SA Lotteries and the TAB were the main forms of social gambling in South Australia. While SA Lotteries performs well, it faces ever-increasing competition in the market from the Casino, corporate bookmakers, pokies and both legal and illegal online gambling.

It is time for the government to restrict its involvement in the gambling market to that of regulator, not operator. The SA Lotteries business must be free of day-to-day government control to meet the challenge of increased competition, as almost all the other states have done. The SA taxpayer should be free of the commercial risks involved in operating a business of this kind in an environment as volatile as the modern gambling sector.

The government is dedicated to protecting the livelihoods of the hundreds of agencies who rely on SA Lotteries for their income. We will work with agencies to create the necessary conditions to protect their interests.

Under this arrangement, the state will continue to collect and direct into hospitals gambling taxes that currently make up around three-quarters of the revenue that is collected from SA Lotteries.

As I said at the outset, sound public finances are the bedrock to a good government. So this Budget day, I pay tribute to my predecessor, who on the last nine Budget days brought down the decisions and carried out the strategy that first restored the state's triple-A rating and then kept it through one of the biggest economic disruptions of the last 75 years.

My approach to the finances of the state is based on the same principles as a typical South Australian household. Families have their own household budget day, every payday. They do the sums, make ends meet, find the money for what they need today, and borrow only for what will be productive tomorrow ... responsible people who look to the future.

People who want to be confident that South Australia will be the place where their children, in turn, will want to raise their families.

The day I became Treasurer of our state, I said ...

The job of the Treasurer is to look at the financial state of the government and to make sure that our policy settings are right so that we're not living off our credit card and accruing the sort of debt that is going to be left to our kids to pay.

This has been my approach on every day since ... and this is the government's approach today.

Madam Speaker, I commend the budget to the House.

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