

# 2016–17 STATE BUDGET

Budget Paper 2

## Budget Speech



Government of  
South Australia



# 2016–17 Budget Papers

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Published 7 July 2016  
ISSN 1440-8589

# Budget Speech 2016–17

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*Delivered on 7 July 2016, on the second reading of the Appropriation Bill 2016,  
by the Honourable Tom Koutsantonis MP, Treasurer of South Australia.*

Mr Speaker,

The 2016–17 Budget speaks to our values and our vision.

Its ambition is to create jobs, develop future industries and ensure our children have the right skills for a transforming, modern economy.

This budget will deliver unprecedented upgrades to our schools. It will incentivise South Australian small businesses to employ more people. It continues our record infrastructure spend and backs our entrepreneurs and start-ups.

Mr Speaker we were faced with difficult choices after the global financial crisis, declining revenues meant we had a choice between austerity measures to maintain a budget surplus or continue our stimulus spending in the state's infrastructure.

We didn't chase our revenues down, we didn't slash and burn, we steadied the ship, cut our own cloth, but kept our economy growing.

I can now report to the house our budget position is sound. A surplus has been delivered, a surplus this financial year and more predicted each year across the forward estimates, an outcome our opponents said would never occur.

Mr Speaker, this budget records the eighth surplus of this government, proving our responsible fiscal management of an economy that has grown for every year of our 14-year governance.

The government has built these surpluses as a buffer against the headwinds that we know we face over the next 24 months such as the impacts of Brexit, the instability we are witnessing at a Commonwealth level and the uncertainty in our financial markets with low commodity prices and a fluctuating Australian dollar.

As Members know, the closure of Holden's Elizabeth factory is edging ever so closer, marking the end of decades of automotive manufacturing in this state and highlighting the importance of our transition to a high-tech, modern economy.

The end of automotive manufacturing is causing significant changes in our Northern suburbs, and across the state. We know this transition isn't easy, but this side of the house will always stand by workers and by the industries that employ them. That is why we have invested \$24.2 million through our Northern Economic Plan to help the thousands of workers who face very uncertain futures.

Further north in Whyalla, we are supporting Australian steel, Australian jobs and Arrium with a \$50 million investment to upgrade infrastructure for a future buyer and have also committed a \$9.6 million support package for the supply chain businesses frozen out through the administration.

Arrium is the heartbeat of the state's third largest city. Were it to suffer a similar fate as Holden, it is hard to imagine the devastation that Whyalla, as a community, would suffer.

Over the past few months I have spent many days in Whyalla. I can only imagine what it is like for some of those families who, every night at the dinner table, wonder what their future holds for them.

This is why it is critical we invest in the steelworks and do what we can to provide the new operators of the business with a firmer footing for a long-term, sustainable future.

This budget is not only about protecting jobs Mr Speaker, but it certainly also focuses on creating them.

Last budget we announced an unprecedented reform of state taxes returning \$670 million to South Australian businesses. Tax reforms that those opposite initially said would not work, and then claimed were not happening quick enough.

It is our tax reforms that have helped create nearly 6000 more jobs in the state over the past 12 months by removing the barriers that were preventing businesses from expanding, from reinvesting and from growing our economy.

This budget, Mr Speaker builds on the foundation of last year's reforms. We are offering South Australian businesses, with taxable payrolls of \$5 million or less, incentives of \$10 000 for every extra person they employ in the next two years.

Those with a payroll of \$600 000 or less that hire a new person over two years will receive support of \$4000.

Coupled with our extension of the payroll tax concessions for a further four years, any South Australian small business hiring two extra workers over the next two years bringing them to a taxable payroll of just under \$1 million would benefit from almost \$40 000 in concessions and incentives.

Treasury estimates that these grants will support 14 000 new jobs over the next two years. In the current economic climate we need to do all we can as a government to address South Australia's unacceptable unemployment rate.

This measure shows our willingness to partner with the businesses we know want to expand, employ more people and grow our economy.

These measures, when coupled with the Return to Work reforms that delivered \$180 million in savings per year to businesses, ensure South Australia is the nation's best place to do business.

Mr Speaker, there are two other key measures in this budget which will create jobs, ensure our children get the best education possible and also build our future industries.

The first is an unprecedented injection of \$500 million to upgrade the state's public and non-government schools to ensure our children have modern education facilities to give them the best chance to secure the jobs of the future.

Having successfully convinced the Commonwealth Government to stick to its 2013 election commitment and build the Future Submarines in South Australia — it is vitally important that we ensure our students in primary and high schools across the state have the skills to participate in what will be the biggest build this nation has seen.

The construction and maintenance of the submarines, frigates and off-shore patrol boats will be undertaken in South Australia over the next 50 years.

We must ensure it is today's students who will be working on these projects, we cannot allow our children to miss out on this important work.

That is why we are dedicating \$250 million to build new Science, Technology, Engineering and Maths facilities in 139 of the state's public schools. This will also create a stimulus in the construction sector for electricians, carpenters and plumbers who will be tasked with these upgrades.

Another \$250 million will be made available through a loan scheme, at the government borrowing rate, to the state's non-government schools for investment in infrastructure upgrades.

We know there are many schools in the private system which need upgrading but can't due to tight finances or restrictive loan conditions.

The loans will be contingent on the schools using the money to upgrade or build new infrastructure that leads to better educational outcomes.

Again, we want this work to be undertaken by South Australian contractors and trades people, providing hundreds of jobs in local stimulus.

To complement the upgrades to schools' learning facilities, the 2016–17 Budget also invests \$10.6 million to modernise the South Australian Certificate of Education (SACE), including the transition from paper-based to online assessment of examinations.

There is no distinction of class in these education measures — just the quality of classrooms. All of our children deserve the best education environment regardless of where they go to school.

These initiatives are designed to ensure our students are given every opportunity to succeed and to prepare them for the jobs that will exist in a more modern economy.

Another important part of this year's budget is the \$135 million of initiatives to attract and create new industries.

One of the key learnings from the McCreadie report was that despite our state having a relatively high number of start-up businesses, there was a lack of integration and funding available to those looking to develop businesses out of their entrepreneurship.

Our innovation support package backs South Australian start-ups by investing:

- \$10 million for the South Australian Early Commercialisation Fund which will assist start-ups at the pre-seed and seed stage of development so they are better positioned to attract long-term investment
- \$7.5 million for the University of South Australia's Future Industries Institute to encourage innovation, collaboration and new industry
- \$4.7 million towards the Gig City project to connect existing innovation spaces within the CBD to create an ultra-high speed broadband innovation network.

The key plank of this policy will be the introduction of a \$50 million South Australian Venture Capital Fund, to partner with private sector financiers to support innovation and commercialise high-growth companies in South Australia.

This funding is significant and will foster our innovative culture, providing our young entrepreneurs with the support necessary to not only start up in South Australia, but stay in South Australia.

Mr Speaker, these initiatives I have outlined are about three core things — creating a modern economy, ensuring our children have the skills for future industries and creating more jobs for South Australians.

While these are the main pillars of our 2016–17 Budget, there is far more we are also doing to grow our economy in key industries.

We will continue to invest in our growing tourism industry by extending funding for the tourism, marketing and major events through to 2018–19 with an extra \$35 million and we will provide \$2 million to Brand SA to undertake an awareness campaign to encourage consumers to identify and choose products which support South Australian jobs.

To support the construction sector, we have extended and expanded the off-the-plan stamp duty concession to cover all new apartments across the state. An estimated 800 apartment purchasers will benefit from the stamp duty concession, with a maximum concession of \$15 500 available to off-the-plan purchases.

I do want to make it clear however that this is the final year that this particular concession will be offered.

We have also added an extra \$20 million to the Economic Investment Fund to continue to support the attraction of business and industry.

The Economic Investment Fund has already secured new businesses and jobs to South Australia including ScreenAway, Orora Limited, Ingham Enterprises and now NEC.

We know that the Future Submarines and Frigates programs will create thousands of jobs in the construction industry, but we must learn from our previous experience with the Air Warfare Destroyer contracts and aggressively pursue the supply chain companies that flow on from such large contracts.

That is why in this budget the government will extend the Industry Attraction Agency's role by investing a further \$6 million over three years to target and capture defence businesses we know will be needed to set up in Australia to support the Future Submarines and Frigates projects.

We are also committing a further \$4 million to build on DCNS's successful tendering of the submarine contract and enhance our relationship with France.

Mr Speaker, there is no doubt that this government is an infrastructure government and our capital program reflects continued record investment in transport, health and education.

More than \$1.5 billion will be invested each year in building and upgrading key infrastructure as the government continues to build South Australia.

This includes the expansion of our tram network with a \$50 million commitment to extend the line down North Terrace and along our cultural boulevard to the old Royal Adelaide Hospital site.

Another step in our Integrated Transport and Land Use Plan, the North Terrace tram extension, will deliver more patronage to our cultural institutions and reinvigorate the East End connecting the East with the West.

The government is also committing \$48 million for a major mechanical upgrade and modernisation of 50 diesel railcars.

This comes on top of our co-investment with the Commonwealth in road and rail which is currently underway:

- the \$985 million Northern Connector
- the \$896 million Torrens to Torrens upgrade
- the \$620 million north-south corridor Darlington upgrade
- the \$358 million Goodwood and Torrens Junction rail separation.

And of course, our wholly state- funded projects, the \$153 million Salisbury line electrification and the \$160 million commitment to extend the O-Bahn into the city, are continuing.

It is an impressive and exceptional investment in our state's road and rail infrastructure — the arteries of our economy.

Infrastructure spending is not a false economy Mr Speaker, it is an essential role of government and these projects will support nearly 6000 jobs alone each and every year.

To ensure that these projects use as much local content and employ as many local people as possible, this budget also increases the funding to the office of the Industry Participation Advocate by \$1.4 million.

The extra funding will allow the Advocate, who has been doing some outstanding work, to hire industry specific managers to help lobby contractors and construction companies to put South Australian jobs and local content first.

Mr Speaker, many in this Chamber know that while I am not the most passionate supporter of the Arts, I do see the sector as a significant driver of economic activity in this state.

That is why we are committing more than \$65 million towards upgrades to theatres and arts and cultural programs aimed at supporting the government's vision of a vibrant state. This includes:

- \$35.2 million to redevelop Her Majesty's Theatre
- \$15 million to ensure the state's cultural capital is maintained and improved
- \$3.1 million towards further support for the OzAsia Festival
- \$500 000 to develop a business case for a new contemporary gallery.

South Australian grass-roots sporting clubs are also winners in this year's Budget with more than \$40 million committed to new and upgraded sporting facilities, including \$10 million to develop eight artificial pitches and upgrade soccer facilities across the state and another \$10 million in grants to sporting clubs to provide facilities for female participation in sport.

Community safety and wellbeing is another government priority that this budget features significant investments in, including:

- \$56.1 million towards constructing 198 additional prison beds at Mobilong, Mount Gambier, and Port Augusta prisons
- an additional \$16.1 million to meet the government's commitment to recruit 313 additional police officers and maintain our position of having the highest police per capita of all states in the nation
- a \$1.3 million national system for SA Police to share information on domestic violence orders within and across jurisdictions as part of the National Domestic Violence Order Scheme
- \$4.5 million to further reform our justice sector by reducing the time it takes for serious criminal matters to come to trial
- \$10.6 million for continuous screening assessments of people who work or volunteer with children
- \$9.9 million for additional rehabilitation programs in prisons to ensure prisoners have been able to complete the required rehabilitation programs prior to parole consideration
- \$16.2 million will fund the implementation of bushfire management strategies across the state, including additional fire management officers and up to date mapping information to enable better identification of hazards and faster times for response teams.

Mr Speaker, as we all know, next month Justice Nyland will hand the findings of the Royal Commission in to South Australia's child protection system to the Governor on August 5.

This budget retains additional funding in contingency to respond to Justice Nyland's final recommendations. We will make those plans public once the final report has been contemplated.

In terms of our wellbeing, we are investing \$90.7 million in additional funding to support the transition to the NDIS and provide additional disability services and \$44.4 million to improve Aboriginal health outcomes.

There is nothing more integral to our community wellbeing than our Health system. I was disappointed that both major parties failed to commit to overturning the disastrous 2014 Commonwealth Budget cuts which slashed \$1.25 billion from South Australia's hospitals over the next four years.

These cuts are unsustainable and, despite the Commonwealth agreeing to contribute an additional \$187 million over three years to 2019–20, this returns only 18 per cent of the original cut.

This has forced the state to once again step in and fund a further \$527 million from this budget across the next four years to plug the Commonwealth health funding gap and to support on-going reforms in the state's health system.

Despite this extra state investment, with activity levels in our hospitals increasing by 3 per cent in the past year there is still a significant hole in our health budget.

The ongoing nature of the Commonwealth–state health funding partnership is something I hope the new government grapples with as one of its first priorities.

The government has also previously announced the reform of the Solid Waste Levy which will cut land fill, grow industry and create jobs.

The metropolitan solid waste levy will be increasing to \$103 by 2019-20 with the additional \$63.6 million in revenue to fund a number of initiatives including local government grants for waste infrastructure, investment and innovation sector programs, \$15.8 million for environmental assessment, compliance and remediation and \$21.9 million for climate change initiatives.

The state government is taking a leadership role in the global climate change commitment, signalling this with the establishment of Carbon Neutral Adelaide as a key node of the Australian arm of the highly successful European Union Climate Knowledge and Innovation Community.

Mr Speaker, this is a sound budget built on strong economic foundations that will help meet the challenges we know lie ahead.

In that context we have taken the decision to limit wage growth to a maximum of 1.5 per cent per annum over the next three years of each enterprise agreement.

The 1.5 per cent increase still provides a real wage increase over the previous and next enterprise agreements, and we believe that in the current economic climate, where many private sector workers are being asked to take pay cuts, this target is more appropriate.

We are also introducing a place of consumption tax next year that will ensure that online bookmakers, who profit from South Australian gamblers, pay their fair share of tax.

We will be consulting over the next six months on this measure which will increase funding to gambling rehabilitation programs in the same proportion as other state gambling taxes.



The government has been, and remains, committed to constraining the level of growth in expenditure to improve the structural position of the budget.

Our prudent fiscal management, restrained spending and incentives to grow the state's business sector will do much to address our unemployment issues.

Mr Speaker, it is our government's belief that South Australia's best days are ahead of us, not behind us.

Already our capital city is listed as the fifth most livable place in the world according to *The Economist*, and as the best place in Australia to do business by KPMG.

We of course face challenges with the downturn in traditional manufacturing businesses and our unemployment rate that this government rightly regards as too high.

However we now have certainty and confidence in our economic future with an unprecedented pipeline of naval construction projects to be built in South Australia, however, we must ensure that that work is conducted by South Australians.

We have a state government that is cutting business taxes and partnering with growing businesses, providing support to them to hire more staff.

We have a state budget that is in the black and is building new productive infrastructure across our state. And we are training the next generation of South Australian high-tech workers by starting them on a path of science and technology at schools today.

At its heart — this is a budget about jobs. We are pulling every lever available to government to create new jobs.

Because every extra job that's created in South Australia is another family that is better off, another family that can afford to provide more for their children and build a more prosperous state.

That is — and always will be — our mission as the party of Labour.

Mr Speaker, there is no single measure or silver bullet that will address the challenges our state currently faces, not Olympic Dam or the future submarines, not Arrium nor the nuclear Royal Commission.

But tax cuts are key, innovation is important, education is vital, health is essential and infrastructure is critical.

Collectively, it is these measures that provide us with confidence in the state's future knowing the solutions to our challenges lie with our people and within our grasp leading to a more vibrant, modern and growing economy.

I commend this budget to the House.

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2016-17 State Budget

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