

The South Australian 2012-13 Budget

May 2012

Budget Overview

On 31 May 2012 South Australian Treasurer Jack Snelling delivered the 2012-13 South Australian Budget. In the Budget speech, Mr. Snelling announced that due to the largest revenue write-down ever, the return to surplus was now forecasted to occur in 2015-16 at \$512 million instead of in 2014-15 as previously signaled. In response to the falling revenue the South Australian Government announced a range of savings measures particularly affecting the public sector.

Mr. Snelling announced that Government agencies will be cutting 1 per cent from their budgets from 2013-14, which will deliver a saving of \$129.5 million a year by 2015-16. In addition to this the Government will further reduce the number of public sector employees by 1,000 over three years beginning in 2013-14, delivering a saving of \$86.6 million a year by 2015-16.

Despite the fall in revenue the Treasurer has maintained that South Australia's economic fundamentals are strong, pointing to the low unemployment rate of 5.2 per cent, an economic growth forecast of 2.75 per cent for 2012-13, and \$109 billion worth of investment projects already underway or in the pipeline.

The Treasurer's speech is available [here](#). The 2012-13 South Australian Budget is available in full [here](#).

Contents

Budget Overview.....	1
Economic context.....	2
Savings and Revenue.....	2
Taxation and rebates	3
Construction and property.....	3
Infrastructure	4
Manufacturing.....	4
Disability.....	4
Health.....	5
Mining	5
River Murray	6

Economic context

The global financial crisis continues to influence the sentiment and behavior of businesses, households and the government sector. Households in particular have been very cautious in their spending decisions, restoring their savings in response to uncertain economic and labour market conditions.

The cautious approach that households are displaying to spending and borrowing has impacted on the property market and housing construction activity in South Australia has weakened over the past year.

The Government's revenues, including GST and stamp duties, rely heavily on transaction based on economic activities. With household savings at the highest levels in decades and a slow property market, the state's revenues have been reduced by \$2.8 billion over four years since last year's budget.

Key Economic Indicators – Growth rates

	2010–11 Actual	2011–12 Estimate	2012–13 Forecast	2013–14 Projection	2014–15 Projection	2015–16 Projection
Australia^(a)						
Gross Domestic Product (GDP)	2.1	3	3¼	3	3	3
South Australia						
Gross State Product (GSP)	2.4	1½	2¾	3	3	3¼
State Final Demand (SFD)	1.3	1¾	2¾	3¼	3	3½
Employment	1.8	½	¾	1¾	1½	1¾
Adelaide Consumer Price Index (CPI)	3.2	2¾	2½	2½	2½	2½

(a) Australian forecasts from 2012–13 Australian Government Budget — Budget Paper No. 1.

Savings and Revenue

In response to the downfall in revenues and tight fiscal environment, the Budget included some significant savings and revenue measures, particularly in the public sector:

- Reducing public sector employees by a further 1,000, saving \$86.6 million a year by 2015–16.
- Increasing the current efficiency dividend applied to public sector agencies from 0.25 per cent to one per cent a year from 2013–14, saving \$129.5 million a year by 2015–16.
- Ending funding for a government corporate suite at the Adelaide Entertainment Centre, saving \$72,000 a year.
- Replacing the payroll tax exemption on wages of apprentices and trainees with a targeted grant scheme administered by the Department of Further Education, Employment, Science and Technology, and deferring previously announced tax cuts, saving around \$63 million a year from 2013–14.

- Merging the Department for Water and the Department of Environment and Natural Resources, saving \$1.9 million a year from 2013–14.
- Transferring of Defence SA's property related functions and staff to the new Urban Renewal Authority, saving \$200,000 in 2012–13, increasing to \$350,000 a year, indexed, from 2013–14.
- The Thinker in Residence program will end in 2012–13.
- The Integrated Design Commission will also conclude its activities at the end of 2012.
- Suspending some capital projects will result in lower spending of \$444.2 million over the next four years.

Taxation and rebates

The 2012-13 Budget provided the following new taxation and rebate measures:

- Increasing the payroll tax threshold from \$504,000 to \$600,000.
- Decreasing the payroll tax rate from 5.67 per cent to 4.95 per cent.
- Increasing the land tax threshold to \$300,000 and amending subsequent tax brackets.
- Introducing yearly indexation of land tax thresholds.
- Introducing a one-off Water Security Rebate to SA Water customers from 1 January 2013, (residential drinking water bills), in recognition of significant water price increases necessary to deliver water security infrastructure, at a cost of \$45.7 million.

Construction and property

As a response to property transactions being at their lowest levels in 25 years, the South Australian Government has announced to postpone the planned phasing out of the \$8000 First Home Bonus Grant.

The decision to extend the \$8000 Grant for another 12 months is estimated to cost the Government \$5.6 million. The Government will assess the impact of First Home Bonus Grant on the property market in another 12 months and review whether it should continue beyond that.

The South Australian Budget 2012-13 includes an additional measure to kick start the sluggish property market. The Government announced that stamp duty for off-the-plan city apartments will be scrapped as of 31 May 2012. The Treasurer said the measure would cost the Government \$5.1 million over four years. This serves not only the purpose of stimulate the property market it is anticipated to also give a much needed boost to the building and construction industry.

Infrastructure

Some previously planned non-essential infrastructure projects have been suspended or deferred in the 2012–13 Budget as part of the Government’s response to lower than expected revenues. These include the suspension of the electrification of the Outer Harbor and Gawler rail lines and postponing stage 3A of The Queen Elizabeth Hospital Redevelopment which will now start in 2015–16. Other previously announced major infrastructure projects, such as the duplication on the Southern Expressway, were continued in this Budget.

Of new infrastructure expenditure, the largest is \$110.0 million in investing expenditure in 2012–13 for the grade separation of the Australian Rail Track Corporation’s interstate rail line and the metropolitan rail line at Goodwood. This is the first stage of the joint state and Commonwealth Government funded \$443.0 million upgrade of the Goodwood Rail Junction and Torrens Rail Junction. The project will speed up the movement of freight trains through Adelaide, improve the reliability of passenger services and boost national productivity.

Manufacturing

The Budget included \$8.3 million over four years for the development and implementation of a comprehensive manufacturing strategy. The strategy will be designed to improve local industry capacity and capability to capture emerging opportunities and accelerate the transition of traditional manufacturing into new areas of high value manufacturing.

Key elements of the strategy include the creation of an Advanced Manufacturing Council, industry and intelligence and capability mapping. A review of the manufacturing strategy will be conducted in June 2015.

Disability

Disability support was a key priority in the 2012-13 Budget, and many of the Budget’s significant new spending initiatives were in this sector. The Communities and Social Inclusion Budget contains additional new operating initiatives of \$210.2 million and investing initiatives of \$30.6 million over the next four years.

These spending initiatives are in line with the Federal Government’s prioritising of disability support through the National Disability Insurance Scheme (NDIS).

Major initiatives include:

- \$101.6 million over four years to assist disability clients requiring a range of accommodation support, community support, community access and respite services for carers.
- \$61.5 million over four years in capital grant funding to the South Australian Housing Trust for the construction of new community based disability housing.
- \$24.1 million over four years for the redevelopment of the Parks Community Centre facilities.

- \$21.6 million over four years to end the provision of institutionalised accommodation at the Strathmont Centre and transition all remaining residents into community living arrangements.
- \$20.0 million over three years from 2013–14 for a National Disability Insurance Scheme launch in South Australia. This \$20.0 million is in addition to existing funding levels for clients in this trial group. The detailed operations of a launch in South Australia are subject to negotiations with the Commonwealth Government

Health

The investment program for Health and Ageing in the 2012-13 Budget is \$489.3 million this includes both new and existing projects. Among new projects commencing in 2012-13 are:

- \$142.6 million over ten years for the implementation of the Enterprise Patient Administration System project to deliver statewide integrated electronic health record at all metropolitan hospitals, GP Plus centres and two Country health services.
- \$30.4 million over two years has been allocated to the acquisition and implementation of the Enterprise Pathology Laboratory Information System, a single pathology information system to support the delivery of pathology services across the sector.
- \$18.7 million over three years for the implementation of a single system for medical imaging that distributes and stores medical imaging studies and reports for use by clinicians across the sector.

Mining

The 2012-13 Budget includes \$38.3 million to develop the Mining and Engineering Industry Training Centre, a dedicated centre of training excellence for the mining, engineering, defence and transport industries. The Training Centre, to be located at Regency Park in Adelaide's north, is expected to be completed by June 2014 and will consolidate and upgrade key training facilities already on one site.

The new MEITC is intended to help fill South Australia's considerable skills shortage in mining related sectors. It is estimated that there will be approximately 25,000 – 30,000 vacancies in the transport and engineering sectors in South Australia within the next five years.

The Budget also included \$2 million to support an expansion of pre competitive mineral exploration data within the highly prospective Gawler Craton in central South Australia. The exploration will focus particularly in the Woomera Prohibited Area (WPA), which hosts an estimated \$35 billion of potential development including iron ore, gold and uranium prospects.



River Murray

The Budget provides \$49.1 million over six years towards securing the future of the River Murray. This initiative will improve the management of wetlands, floodplains and backwaters along the River Murray between Wellington and the South Australian border. This will improve floodplains through the provision of critical infrastructure for enhanced environmental flows, fish passage and habitat and connectivity of the floodplain and the river channel.