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## **Background**

In an address that marked the opening of the Second Session of the 52<sup>nd</sup> Parliament of South Australia on Tuesday 14 February 2012, South Australian Governor, His Excellency Rear Admiral Kevin Scarce, announced that the Government would establish a bipartisan committee to explore the potential for a future fund for South Australia. The future fund would be a method of ensuring that the benefits of the current mining boom are shared amongst all South Australians for generations to come.

## **What is a Future Fund?**

A future fund is a type of sovereign wealth fund. It is an independently managed investment fund, established for the particular purpose of meeting future liabilities. These funds operate by investing current surpluses. Sovereign wealth funds, such as future funds, have been acknowledged by the OECD as a key player in the new global financial landscape.

One of the largest examples of such a fund is the Norwegian Government Pension Fund, commonly referred to as *Oljefondet* or *the Oil Fund*. This fund invests surpluses generated from the Norwegian petroleum sector. In December of 2011, the fund was valued at more than 3055 billion Norwegian Kroner (\$493 billion AUD).

Future funds came to prominence in Australia with the Future Fund Act of 2006, which established the Australian Government Future Fund. This Fund was established as a financial asset fund designed to accumulate financial assets and invest them on behalf of the Australian Government to address the Government's unfunded superannuation liability. The Australian Government Future Fund is overseen by an independent Board of Guardians with support from the Future Fund Management Agency. For more information on the establishment of the Australian Government Future Fund, [click here](#).

## **The Role of a Future Fund in South Australia**

In South Australia the proposed future fund would have the particular purpose of investing mining royalties to ensure the current mining boom has lasting financial benefits. South Australia has a strong mining and resources sector thanks to its rich deposits of minerals, gas and petroleum. In a 2009/10 survey of mining companies conducted by the Canadian based Fraser Institute; South Australia was ranked in the top 12 jurisdictions in the world for mining potential. For more information on the South Australian mining sector, visit the [South Australian Chamber of Mines and Energy website](#).

Currently, income is derived from mining through a royalties system. Royalties are payable to government on all minerals recovered from land where the mineral is sold or intended for sale; or utilised for any commercial or industrial purpose. For more information on mining royalties in South Australia, visit the [Department for Manufacturing, Innovation, Trade, Resources and Energy website](#).

## **Support for a South Australian Future Fund**

A BankSA survey, results of which were released in October 2011, found that more than 90 per cent of South Australians supported the idea of a mining royalties future fund.

BankSA managing director Jane Kittel commented that "South Australians identified that the future fund would be used for infrastructure...things like schools, hospitals, roads and transport, as well as renewable energy, creation of jobs, and also funds for regional development." For more information on the BankSA survey, [click here](#).

Following the announcement by Governor Scarce, the South Australian Opposition Leader Isobel Redmond [indicated](#) the South Australian Liberal Party's in principle support for a future fund.