

South Australian Future Fund

September 2013

On 23 September 2013, South Australian Premier the Hon. Jay Weatherill announced the details of the establishment of a South Australian Future Fund. The fund will quarantine revenue from South Australia's mining and energy resource activity for investment that will provide ongoing benefits to South Australia.

The policy is the first in the State Government's plan for *Building a Stronger South Australia*. The announcement follows South Australia's Economic Statement, released in March 2013, which highlighted the government's commitment to establish a Future Fund and reinvest the benefits of mining and petroleum activity to ensure the state's long-term prosperity.

The State Government will introduce legislation to create a Future Fund in the current Parliament.

The information pack, *Building a Stronger South Australia*, released by the Premier's Office is available [here](#).

The Media Release on the announcement of the Future Fund from the Premier's Office is available [here](#).

The Hawker Britton Occasional Paper on the March Economic Statement is available [here](#).

Purpose

South Australia has a strong mining and resources sector and is a globally significant producer of copper, uranium and heavy mineral concentrates.

Currently, income is derived from the mining and resources sector through a royalties system. Royalties paid to the State Government have grown from \$82 million in 2002-03 to around \$200 million in 2012-13 and are predicted to grow to around \$285 million in 2016-17.

The State Government plans to set aside a portion of royalty revenues into a dedicated Future Fund in order to provide the capacity to invest in people and infrastructure into the future, and ensure the strength of the South Australian economy.

The fund will enable South Australia to:

- preserve the benefits of mineral and energy resources activity for future generations;
- enhance the capacity to invest in the State's people and infrastructure to create a strong and diversified economy; and
- underpin the sustainability of State Government finances.

Operation of the Future Fund

(i) Payments into the Future Fund

Payments will be made when the budget is in surplus from 2015-16 and will be based on:

- 7 per cent of total royalty revenues per annum;
- the first two years of royalty revenues from new mines or petroleum facilities;
- the first two years' additional royalty revenues from significant expansion of an existing mine or petroleum facility; and
- additional discretionary payments when the budget is in surplus and growth in total taxation and GST revenue exceeds growth in trend household incomes.

The SA Government is predicting that the minimum payment into the fund in 2015-16 would be around \$20 million. Modeling indicates that the fund could accrue \$500 million over a 15-year period on a low estimate or more than \$2.5 billion on a high estimate. Under any scenario, the fund will be significant.

(ii) Payments out of the Future Fund

Provided disbursements are consistent with the government of the day's fiscal targets (currently a general government net debt-to-revenue ratio of less than 50 percent) and there is a minimum fund balance of \$500 million, funds would be available for infrastructure and initiatives that yield ongoing economic returns such as:

- investments in physical infrastructure which have significant and long-lasting benefits; and
- investments in other initiatives which build long-lasting economic benefits and prosperity.

The Superannuation Funds Management Corporation of SA ('Funds SA') will manage the Fund investment.

An advisory board comprising key representatives of the resources sector, as well as experts in finance and investment, economic development, education and regional interests, will recommend to government how the funds should be disbursed.

Potential Investments

The SA Government has suggested the following investment possibilities.

- Infrastructure that assists South Australian firms to tap into opportunities that contribute to growth in areas of economic priority for the State, such as
 - advanced manufacturing;
 - premium food and wine;
 - urban works; and
 - the mining and petroleum industries themselves.
- Investments in new training and skills courses for secondary students and school leavers relevant in a rapidly changing economy.