

Hawker Britton

2017-18 South Australian Budget

June 2017

On 22 June 2017 the South Australian Treasurer the Hon Tom Koutsantonis MP delivered the 2017-18 Budget.

The Treasurer's speech emphasised the intention of the Government to use fiscal stimulus to boost employment growth and ensure the State's economy is insulated from the effects of the culmination of automotive manufacturing in the State. Mr Koutsantonis identified spending in infrastructure and incentives for businesses to hire apprentices and trainees as avenues to stimulate both employment growth and Gross State Product.

The Treasurer's Budget speech is available [here](#).

The South Australian Budget Overview is available [here](#).

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The Budget Outlook

The 2017-18 Budget indicates a net operating surplus of \$239 million for the 2016-17 fiscal year, marking consecutive surpluses for the Weatherill Government. The Treasurer projected more than \$850 million in budget surpluses over the next four years, with an estimated surplus for the 2017-18 fiscal year of \$72 million.

Net debt is predicted to peak in the 2018-19 fiscal year at a rate of 34.9 per cent, with spending growth of 2.3 per cent per annum on average over the forward estimates.

In his speech to the South Australian House of Assembly, Treasurer Tom Koutsantonis noted the transitional phase that the State's economy is currently in. The Treasurer outlined the Government's plan to use infrastructure spending and tax breaks for small and medium-sized business to inject confidence and employment growth into the economy.

Table 1.2 outlines the State's fiscal targets based on the 2017–18 Budget estimates:

Table 1.2: Fiscal targets outcomes — 2017–18 Budget estimates

	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Target 1: net operating balance surplus				
Target	Achieve a net operating surplus every year			
2017–18 Budget estimate (\$m)	72	132	193	462
Target 2: operating expenditure growth				
Target (%)	Average growth limited to trend growth in household income (4.5% per annum)			
2017–18 Budget estimate (%)				
– Annual (%)	5.8%	0.5%	1.0%	1.9%
– Average (%)	Average growth of 2.3% per annum			
Target 3: net debt to revenue ratio				
Target (%)	Less than 35%			
2017–18 Budget estimate (%)	31.7%	34.9%	34.8%	33.1%

Source: 2017-18 South Australian State Budget Paper 3, Budget Statement, pg 6.

Key Economic Indicators

The Budget forecasts both Gross State Product (GSP) and State Final Demand to increase by 2.25 per cent for the fiscal year to June, with employment growth of 1.25 per cent during 2016-17.

GSP is forecast to remain steady over the next year, with employment growth predicted to remain constant at 1 per cent over the forward estimates. Further, the Adelaide Consumer Price Index is anticipated to increase by 1.5 per cent in 2016-17.

Table 7.1: Key economic indicators — Australia and South Australia real growth rates (per cent per annum, year averages)

	2015–16 Actual	2016–17 Estimate	2017–18 Forecast	2018–19 Projection	2019–20 Projection	2020–21 Projection
Australia^(a)						
Gross Domestic Product (GDP)	2.6	1¾	2¾	3	3	3
South Australia						
Gross State Product (GSP)	1.9	2¼	2¼	2¼	2¼	2¼
State Final Demand (SFD)	1.1	2¼	2¼	2¼	2¼	2¼
Employment	0.4	1¼	1	1	1	1
Adelaide Consumer Price Index (CPI)	0.9	1½	2	2¼	2½	2½

(a) Australian forecasts from 2017–18 Australian Government Budget, 2017.

Source: 2017-18 South Australian State Budget Paper 3, Budget Statement, pg 100

Revenue measures

The Treasurer announced the imposition of a State-based levy on the major banks, applicable on South Australia's share of the banks' liabilities, to be levied at a rate of 0.015. The measure is estimated to raise \$97 million in 2017-18 and will begin on 1 July 2017.

Mr Koutsantonis also announced a new conveyance duty surcharge on foreign buyers of residential property, applicable at a rate of 4 per cent and applying to residential property purchased by foreign buyers and temporary residents from 1 January 2018. The measure is expected to raise \$6.2 million 2017-18, increasing to approximately \$13.3 million for the surcharge's first full-year application. This measure is estimated to contribute \$48.8 million across the forward estimates. The surcharge will not apply to commercial and industrial property.

Health

The 2017-18 Budget invests a record \$1.1 billion investment in public hospitals. \$528 million will be invested to build the Adelaide Women's Hospital which will be physically connected to the new Royal Adelaide Hospital. The hospital is expected to be completed by the end of 2024, and will include tertiary level maternity, neonatal and gynaecology services; access to the new RAH's helipad; and access to adult intensive care and sub-specialty services

This \$1.1 billion also includes \$315 million of spending at the Lyell McEwin, Queen Elizabeth and Modbury hospitals and the Flinders Medical Centre, including:

- \$56 million over four years in modern emergency departments and new operating theatres in hospitals in Adelaide's north and south; and
- \$3.5 million to Flinders Medical Centre to create two additional operating theatres, taking the number of theatres available from 10 to 12.

Future Jobs Fund

The Treasurer announced a new \$200 million Future Jobs Fund to drive employment growth in key sectors. The fund will incentivise businesses to hire workers and foster confidence within the economy despite pressures from the closure of automotive manufacturing. Included in the fund is \$50 million in grants and \$70 million in low-interest loans to businesses in the growth industries of:

- Shipbuilding and defence;
- Renewable energy and mining;
- Tourism, food and wine;
- Health and biomedical research; and
- IT and advanced manufacturing.

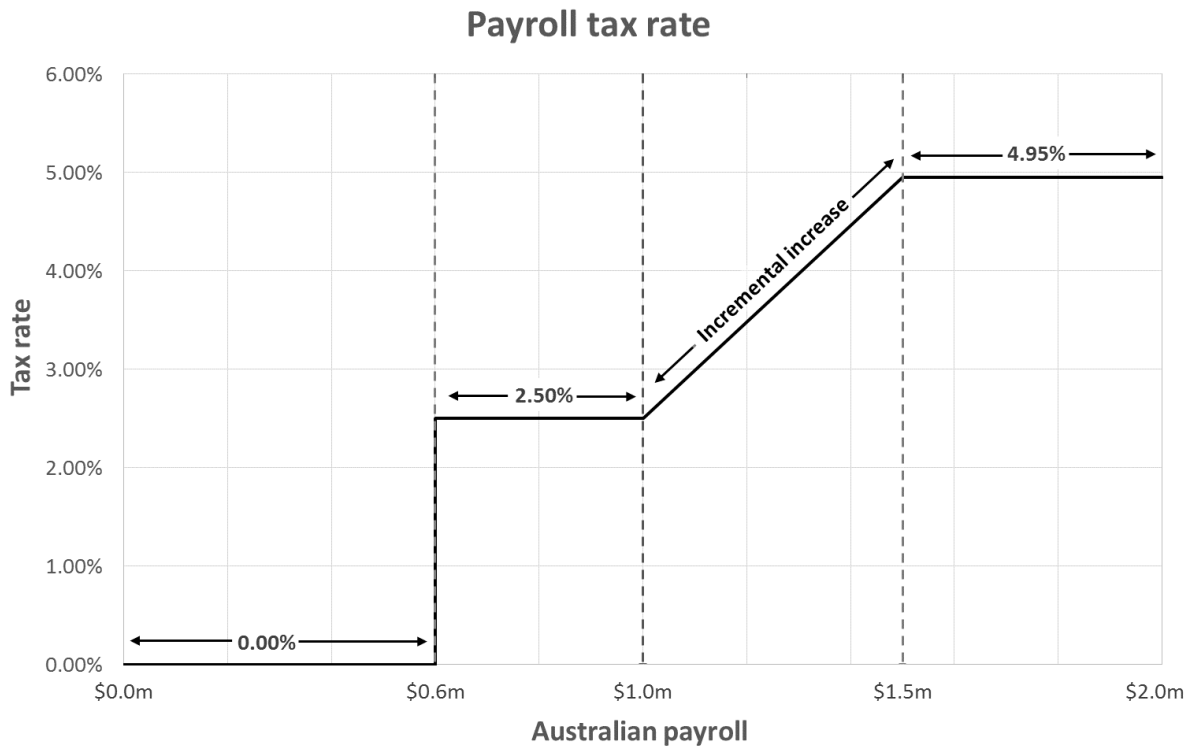
The remaining \$50 million in funding and \$30 million in low-interest loans have been allocated to measures in the Budget to support job creation, including \$60 million over four years to secure new investment in the State; \$14.5 million over four years to continue to bid for major events; and \$5 million over two years to continue support for the automotive supply chain ahead of the closure of Holden and the end of automotive manufacturing in the State.

Small business

The 2017-18 Budget delivers tax reform for small businesses by:

- Beginning 1 July 2017, delivering a new permanent payroll tax rate of 2.5 per cent in South Australia for small businesses, benefitting approximately 1900 businesses with payrolls between \$600,000 and \$1 million. The changes will also extend payroll tax discounts to businesses with payrolls between \$1-1.5 million; and
- Boosting existing grants funded through the Job Accelerator Grant (JAG) to business for hiring trainees and apprentices. These grants will equate to \$9,000 for small businesses and \$15,000 for medium-sized businesses - increasing from \$400 and \$10,000 respectively - for each new position taken up by an apprentice or trainee. These new grants will be backdated so that businesses which have already hired a new apprentice or trainee and registered for the scheme can claim the higher sum.

The new threshold rates of payroll tax are indicated in the below graph:



Education

The Treasurer announced an additional \$464 million of education infrastructure spending, including the building of two new birth-to-year 12 schools in Adelaide’s north and south to meet growing demand for public education. Both schools will be built using a PPP (Public-Private Partnership) process. This announcement builds on the \$500 million invested by the State Government in the 2016-17 State Budget for school upgrades.

The school in Adelaide’s north will accommodate 1400 students, 100 special-school students and a 55-place children’s centre, and likely to be located in the Munno Para region. The school in Adelaide’s south will accommodate 1400 students, 100 special-school students and a 55-place children’s centre, and is likely to be located within the Sellicks Beach-Aldinga region.

Transport and infrastructure

The 2017-18 State Budget includes a capital investment program that emphasizes the modernising of the State’s health, education and transport systems. The record \$2.2 billion spend in 2017-18, and total infrastructure investment of \$9.5 billion over four years, is expected to support 5,700 jobs on average per year over the next four years.

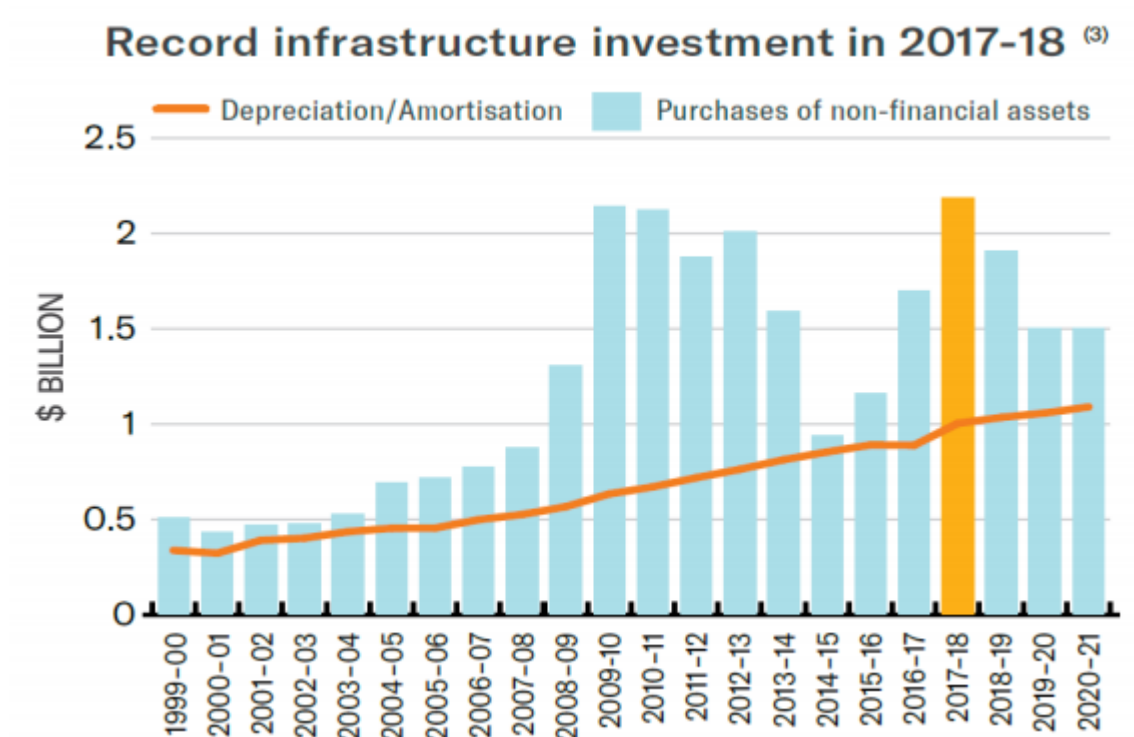
\$1.5 billion will be spent on public transport, including:

- \$462.5 million to fund South Australia’s contribution to continue the Gawler electrification from Salisbury to Gawler, contingent on Commonwealth funding;
- \$15 million to build new, multi-level Park ‘n’ Ride facilities at Tea Tree Plaza and Klemzig; and
- \$3.5 million to upgrade the Blackwood roundabout.

Road funding will see an additional \$1.9 billion over the forward estimates to continue major projects along the North South corridor and other new initiatives, including:

- \$415 million towards the North-South corridor to construct the missing link between Pym Street and Regency Road;
- \$174 million to upgrade the Oaklands Crossing, by building a rail underpass beneath Diagonal Road, to which the Commonwealth has committed \$95 million toward; and
- \$100 million from 2019-20 for Stage 1 of duplicating Main South Road from Seaford to Sellicks Beach.

The below table illustrates the State’s record infrastructure spend:



South Australia's *Our Energy Plan*

The 2017-18 Budget fully funds the implementation of the recently-announced energy plan. More than 120 expressions of interest were received by the South Australian Government to work with the Government on the planned battery storage facility and the State-owned gas power plant. The \$550 million package includes:

- A battery storage and renewable technology fund;
- A new gas power plant;
- South Australian legislative powers over the national market;
- New generation for more competition;
- South Australian Gas Incentives; and
- An Energy Security Target.

Arts and tourism

The 2017-18 State Budget includes almost \$36 million in additional funding for the arts, including \$31 million to further expand the scope of the Her Majesty's Theatre redevelopment. The revised plan includes several additions, including the addition of another floor. The project will create up to 220 jobs during construction and additional ongoing jobs in the industry. The Treasurer also announced an international search for a world-class team to design the proposed Adelaide Contemporary Gallery project.

The 2017-18 State Budget also includes:

- \$1.1 million to Arts SA in 2017-18 for the delivery of arts events, exhibitions and other public programming;
- \$1 million in 2017-18 for a series of concerts, performances and other events to mark the completion of the Adelaide Festival Centre redevelopment; and
- \$1.25 million in 2017-18 in additional funding for the 2018 Adelaide Festival of Arts.

Sport

The Treasurer announced \$20 million, to be made available over two years, in grant funding to assist sporting clubs to establish or replace playing surfaces, as part of a drive to increase participation in grassroots sports. Sporting clubs using wooden and hardcourt surfaces will also be eligible. This funding builds on \$10 million in funding from the 2016-17 Budget to upgrade soccer clubs' facilities across the State.

Also announced was \$19.5 million to help increase women's participation in sport and support South Australia's Olympic athletes. Included in this funding is \$14 million over two years for the Female Facilities Fund; \$4.5 million to Netball SA for infrastructure upgrades; and \$1 million to the South Australian Olympic Council.

Community safety

The 2017-18 Budget invests almost \$30 million over four years in a range of measures designed to realise the State's target of a 10 per cent reduction in reoffending by 2020. This includes \$1.3 million in 2017-18, and \$12 million per annum in the following years, to operate 160 additional beds



currently under construction at Mount Gambier Prison.

Further Information

The South Australian Treasurer's Budget speech is available [here](#).

The full 2017-18 South Australian Budget is available [here](#).

The 2016-17 South Australian Budget Media Releases are available [here](#).