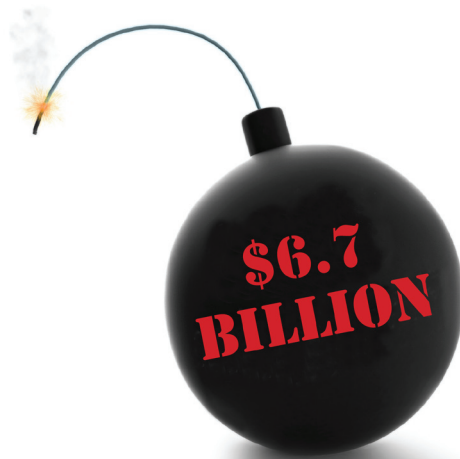


Response to the 2009-10 State Budget:

Bailouts, Borrowings and Broken Promises



RANN LABOR'S DEBT BOMB

South Australian families and small businesses will pay.

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1. Budget Overview

The Rann Government's eighth Budget is the judgement Budget.

Labor will now be judged on its ongoing failure to perform, not its promises to act sometime in the future.

Like the seven that preceded it, this Budget shows Labor cannot manage its expenses, is willing to break major promises and willingly raids the pockets of those that can least afford it.

On the State's most pressing need – water – it has also failed with no substantial commitment to stormwater capture and re-use. At the next election this will be one of the key differences between Liberal and Labor.

Even Standard and Poor's – the international ratings agency – noted Labor's past failures on key infrastructure when it said in its Budget report "*South Australia has a history of capital expenditure under-spending*".

SA still has the same diesel train fleet we had in 2002, fewer hospital services, fewer schools and a dustbowl at Victoria Park that is a standing exhibit of inaction.

We ask why it is that despite record revenues (up a billion dollars this year to \$14.4 billion) Labor has not delivered. The answer is simple – every year Labor allows its day to day expenses to balloon out of control. Despite international economic pressures this year the public service grew by 1,485 positions above the budgeted levels.

In a stunning move to avoid scrutiny a promised \$750 million in expenditure cuts has been offloaded to an external **razor gang** whose recommendations will not be known until **after the election**.

This Budget makes no hard decisions for government. It passes on the hardship to families, to small businesses, to pensioners and carers. Hundreds of fees and charges have been increased by between 4% and 36%, all above the inflation rate of 3%.

Small businesses hoping to employ more people have had those hopes dashed by record levels of land tax, payroll tax and WorkCover levies.

On every level, this Budget fails South Australians.

2. Fiscal Position and Outlook

2.1 Deficits

At the 2009-10 Budget, there are budget deficits on all three accounting measures:

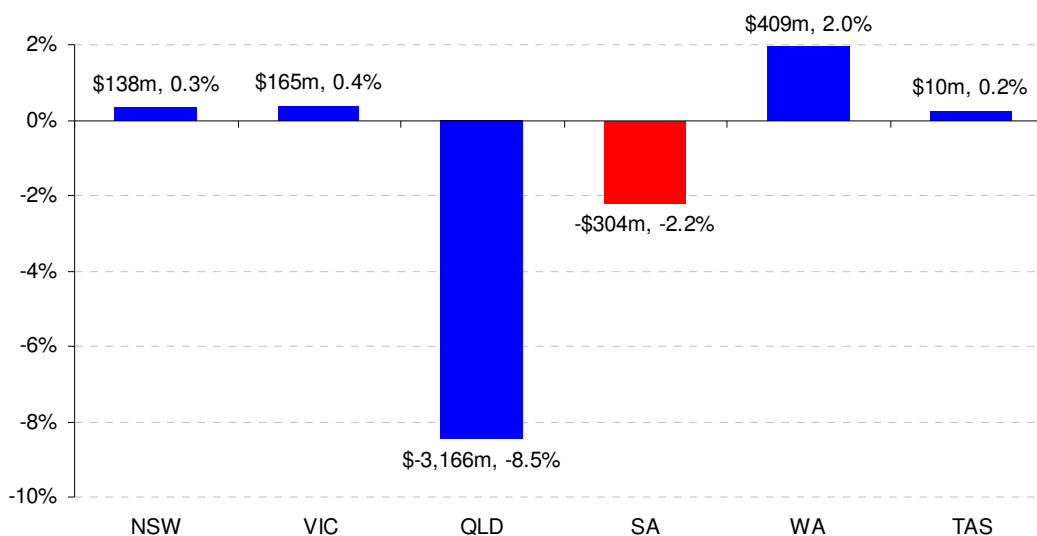
1. net lending **deficit** of \$1,541 million in 2009-10
2. cash **deficit** of \$1,540 million in 2009-10
3. net operating **deficit** of \$304 million in 2009-10

The State's 2008-09 and 2009-10 revenues have actually strengthened by \$130 million and \$722 million respectively since the 2008-09 Budget, due to bailouts from the Federal Labor Government. However, Rann Labor has been telling the public that there are huge budget 'black holes'. Revenues have increased by massive amounts!

Moreover, the Treasurer counts one-off infrastructure grants from the Rudd Labor Government as revenue, but these grants are spent outside the Government's operating account and therefore the Government's 'true' deficit is even larger than that in the Budget. Infrastructure spending is classified as capital works and is reflected only in the 2009-10 net lending deficit of \$1,541 million (a measure rarely publicised in the media). Therefore, the significant grants as part of the Rudd Government's one-off stimulus package mask the true position of the State Government's budget, making it look better than it really is.

The following graph demonstrates that only Queensland has a worse 2009-10 budget position.

Figure 2.1 2009-10 Operating Surplus/Deficit to Budget Revenue, All States



Source: SA, VIC, WA 2009-10 State Budgets & QLD, TAS, NSW 2008-09 Mid Year Budget Reviews

2.2 Spending Blowouts

Spending blowouts, not falls in revenue, are the reason that the Government's budget has slumped into deficit. Government spending has blown out by \$556 million in 2008-09 and \$1,382 million in 2009-10 respectively above those budgeted in the 2008-09 Budget.

"The projected current operating surplus for the four years of the 2008-09 Budget is therefore subject to highly constrained expenditure. This was the case in the past two budgets which forecast, but did not achieve, real terms decreases in expenses for those budget years."

~ Auditor-General's Report, 2007-08 Part C page 25

For seven budgets, the Rann Government has been running small surpluses as a percentage of revenue. Now, despite record revenue growth, spending blow-outs have caused the budget to plunge into deficit. See Table 2.2.

Table 2.2: Unbudgeted Revenues & Expenses (Actual above Budget), \$m

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09 (est)	Cumulative
Unbudgeted Spending	184	467	487	370	374	304	556	2,742
Unbudgeted Revenue	528	794	595	521	493	739	130	3,800

2.3 Commonwealth Bailouts Exceed Other Income Shortfalls

From 2008-09 to 2009-10, State tax revenue will increase by \$48 million, and GST grants are up by \$2 million. Overall Commonwealth grants are up by \$858 million. These Commonwealth bailouts makes the Rann Labor Government far better off in net revenue terms (despite downward revisions in GST revenue). The Government's unfunded superannuation liability has blown out from \$5.1 billion in 2006-07 to \$9.8 billion in 2009-10. These blowouts are driving the State's financial liabilities to levels which may jeopardise our AAA credit rating.

Special Purpose Payments (SPPs) from the Commonwealth are grants 'tied' to specific Commonwealth spending objectives. SPPs are paid to the states to partially fund state government programs and services including education, health, infrastructure, environment and housing. The State Government also uses its own revenue for these purposes. SPPs to SA in the 2009-10 Federal Budget were \$2.9 billion higher than those allocated in the 2008-09 Federal Budget for the four years beginning in 2008-

09. Therefore, extra and unexpected Federal payments ease the need for the State Government to use their own revenue toward these programs, which would otherwise require more State money. This should 'free up' State money to reduce the State budget deficit. The Government must be held to account that repeatedly referring to budget 'black holes' and 'huge revenue losses' and attempting to mislead the public.

2.4 Impact of Financial Market Crisis

Returns on the Government's invested assets under management: Funds SA, WorkCover and the Motor Accident Commission (MAC) were all negative in 2007-08 as a result of exposure to declining international and domestic equity markets. In 2007-08, Funds SA incorporated MAC's funds under management, which masked their total losses. Since 30 June 2008 (notwithstanding revenue into and out of the fund)¹:

- Funds SA's investments of \$14.1 billion have fallen by **\$2.5 billion**
- WorkCover's investments of \$1.3 billion have fallen by **\$207 million**

These losses total **\$2.7 billion** since 30 June 2008 and present a major risk to the State's finances going forward.

2.5 Credit Rating at Risk

Standard and Poor's has downgraded Queensland's AAA rating and warned the Western Australian Government that failure to address the continued excessive growth in expenditure will see WA's AAA rating downgraded as well. In South Australia, the Auditor-General has warned that SA's rating is at risk.

"The [net financial liabilities to revenue ratio] is not, however, declining towards that of other triple-A rated States as required by the fiscal strategy."

~ Auditor-General's Report, 2007-08 Part C page 54

Standard and Poor's have given similar warnings, including:

"the ratings on South Australia could come under pressure if the state's ratio of net financial liabilities to operating revenue exceeded about 80%–90%. The state's forecasts, however, suggest that this won't happen within the foreseeable future."

~Standard and Poor's, 11 November 2008

¹ Based on investment categories listed in 2007-08 annual reports of Funds SA, MAC and WorkCover and the decline of equity markets since 30 June 2008. These were calculated as at 2 June 2009.

The 2009-10 State Budget has this ratio reaching 97% in 2009-10, the second highest of all the AAA rated states.

"The ratings could be re-assessed if the higher levels of debt appear in Standard and Poor's opinion to be permanent and/or more severe."

~Standard and Poor's, 4 June 2009

No doubt credit ratings agencies will carefully monitor South Australia's position going forward.

Chapter 2 Summary Box
The Commonwealth has more than compensated for a State revenue downturn with bailout funding

3. Revenue

The Premier and Treasurer continue to inaccurately underestimate revenue collections every year. From 2002-03 to 2008-09, the Government will have **collected a massive \$3.8 billion more than they expected** as shown in Table 2.2. These revenue windfalls (actual receipts above budgeted receipts) are masking unbudgeted increases in expenses as noted by the Auditor-General:

"the State has received very large amounts of unbudgeted revenues"
 ~ Auditor-General's Report, 2007-08 Part C page 6

3.1 The Highest Taxed State

It's now official. Under the Rann Labor Government, SA has become the highest taxed state in the nation. Total State taxation revenue in 2009-10 will now be \$48 million higher than in 2008-09. Tax revenue has still increased by 61% since this Government came to Office, as demonstrated by the following table.

Table 3.1: Tax Revenue, 2001-02, 2008-09 & 2009-10 (\$m)

	2001-02	2008-09 (est)	2009-10 (bgt)	% change 01-02 to 09-10
Payroll tax	601	913	915	52%
Taxes on property	731	1,422	1,428	95%
Taxes on gambling	312	392	400	28%
Taxes on insurance	223	323	338	52%
Motor vehicle taxes	324	427	445	37%
Other taxes	3	0	0	na
Total General Government Taxation	2,193	3,478	3,526	61%

The Commonwealth Grants Commission (CGC) reveals that South Australia levied its tax revenue bases more severely than any other state or territory during 2007-08. SA was judged by the CGC to have taxed more severely than the national average by 12%. The Institute of Public Affairs confirms that SA imposes the largest state tax burdens on businesses of all states.² High taxes are the last thing business needs in the current economic downturn as this severely hampers job preservation.

² Institute of Public Affairs (2008), *Businesses Bearing the Burden*, December 2008

Table 3.2: CGC Revenue Raising Effort Ratios, 2007-08

	SA	NSW	Vic	Qld	WA	Tas
Payroll tax	91.81	108.06	93.69	88.87	108.41	98.61
Land revenue	226.35	112.57	111.61	63.73	69.45	294.87
Stamp duty on conveyances	122.40	93.77	115.65	76.93	125.04	91.70
Gambling taxation	118.53	98.07	131.55	95.70	32.65	84.58
Insurance taxation	144.60	63.96	125.40	98.00	143.90	98.01
Heavy vehicle registration fees and taxes	124.21	117.77	87.22	86.56	100.32	105.88
Light vehicle registration fees and taxes	79.52	138.32	68.26	104.90	83.45	67.37
Stamp duty on motor vehicle registrations and transfers	106.51	95.41	103.00	80.21	138.22	96.04
Other revenue	65.24	161.21	19.56	137.92	79.74	4.12
Total taxation	111.78	104.76	101.89	85.59	102.78	92.66

Source: CGC (2009), Report on Relative Fiscal Capacities of States – Attachment E p4-8

According to the table, the South Australian Government was judged by the CGC to have:

- Levied land tax more severely than the national average by 126.35%
- Levied stamp duty more severely than the national average by 22.40%
- Levied overall taxes more severely than the national average by 11.78%.

In fact, South Australia taxed more severely than the national average in 6 out of the 9 CGC tax assessment categories (the categories with ratios above 100 in the table).

Since the financial markets began to slide last year, Kevin Foley has continually ruled out tax reform, but his federal colleagues have insisted that there needs to be 'root and branch reform'.

3.2 Commonwealth Grants (inc. GST)

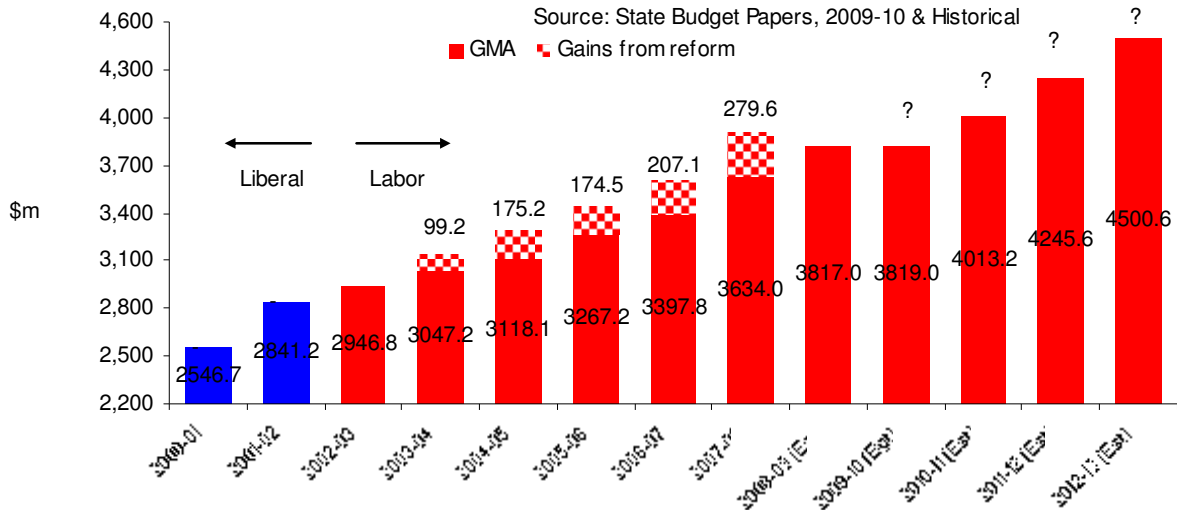
The State Government has reneged on its promise to abolish the agreed state taxes in exchange for GST revenue. It will continue to levy two taxes on business transfers for an extra three years to prop up its coffers. In doing so, it will get an extra \$142 million from long suffering businesses. This authorisation from the Rudd Labor Government makes the Rann Labor Government's coffers appear substantially better than they would otherwise. This is a 'new' tax and a broken promise.

"I do rule out new taxes"

~ Kevin Foley, Hansard, 13 November 2008

The actual GST windfalls to the states, relative to the pre-GST arrangements, have by far exceeded expectations back when the GST was introduced. It is only the gains from reform that have reduced during the financial downturn as demonstrated by the following chart. The GST payments themselves have still grown.

Figure 3.3: Breakdown of GST Revenue Paid to South Australia



3.3 Taxing SA Water While Under-Investing for the Future

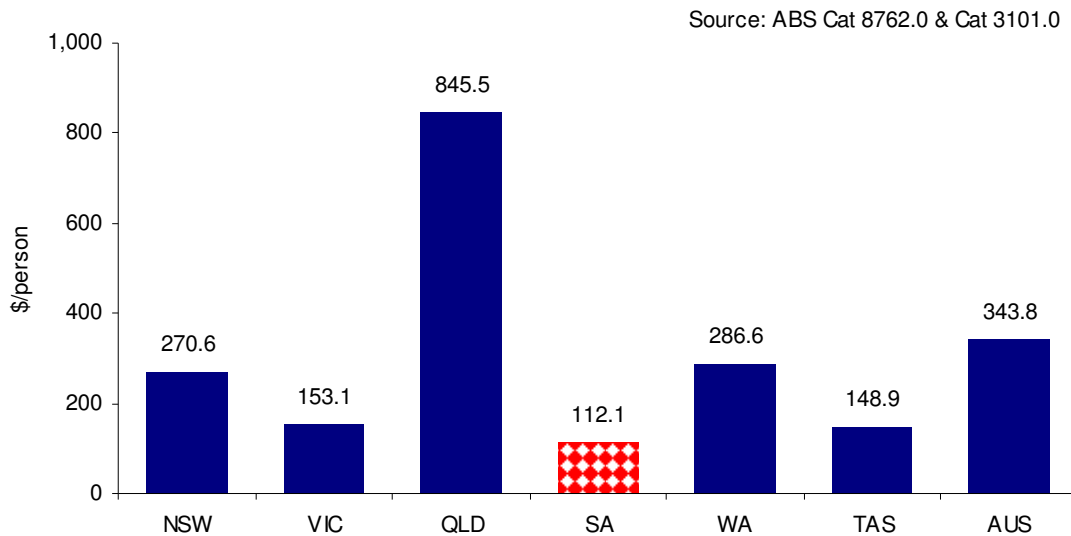
Total dividends and payments to SA Government from SA Water are budgeted to be \$226 million in 2009-10. **Since 2002-03 the total stripped from SA Water customers will be \$2.2 billion.**³ Little of this has been made available for infrastructure spending as demonstrated by the latest data from the ABS in Figure 3.4. SA spends less per capita than all other states on water infrastructure.

But according to the Treasurer, these record SA Water contributions are not enough to fund the proposed desalination plant (an initiative of the Liberal Opposition). The Treasurer wants more cash. So he recently increased water prices by 37% for those that consume the least, following a 42% increase in the previous year.⁴ The Government is yet to confirm the magnitude of further increases in water prices, on top of those previously announced, to recoup the unbudgeted \$228 million the State Government will spend on doubling the output of the desalination plant. The Treasurer previously told 5AA radio on 11 March 2008 that he plans to double water prices within 5 years.

³ 2002-03 to 2007-08 Final Budget Outcomes, and 2009-10 Budget

⁴ The total water bill increase for the average household was 18% this year following a 16% increase in the previous year.

Figure 3.4: State Per Capita Spending on Water Storage, Supply, Sewerage and drainage, 2007-08



Water is the most important reminder of Labor's infrastructure neglect. This is particularly concerning given South Australia's geographic position at the mouth of the Murray River. The Federal Labor Government has been forced to provide bailout funding for SA's desalination plant.

The State Liberals recently announced a \$400 million initiative to capture and use our wasted stormwater⁵ to reduce the reliance on the River Murray. Rann Labor should support this initiative. Under the plan, creeks and stormwater run-off will be fed into 13 metropolitan wetlands that will store about 89 gigalitres of stormwater – over a third of Adelaide's annual water usage.

The State Liberals believe that South Australia should not have permanent water restrictions. The Liberals set the agenda on the desalination plant and the Rann Government has now agreed with the Liberal Opposition and has now committed to a desalination plant for South Australia.

The Auditor-General has repeatedly highlighted (in his 2005-06 and 2007-08 reports) that the Rann Government is treating SA Water as a cash cow. Even though during a period of drought and water restrictions, the State Government's own water utility is being starved of money to carry out capital projects:

⁵ <http://www.saliberal.org.au/images/policy/stormwater.pdf>

"In four of the last five years net cash generated from operating activities was... insufficient to pay the level of dividend and return of capital required by the Department of Treasury and Finance. To meet its payment obligations to government and finance its capital works programs the Corporation's net increase in borrowings has risen significantly in 2007 and 2008."

~ Auditor-General's Report, 2007-08 Part B volume IV page 1215

About 37% of the average household water bill goes as taxes and other payments straight into to the State Government's budget. ⁶

Chapter 3 Summary Box
The Government has a spending problem, not a revenue problem

⁶ 2007-08 contributions by SA Water to the State Budget as a percentage of 2007-08 water fees and community service obligations (SA Water 2007-08 Annual Report)

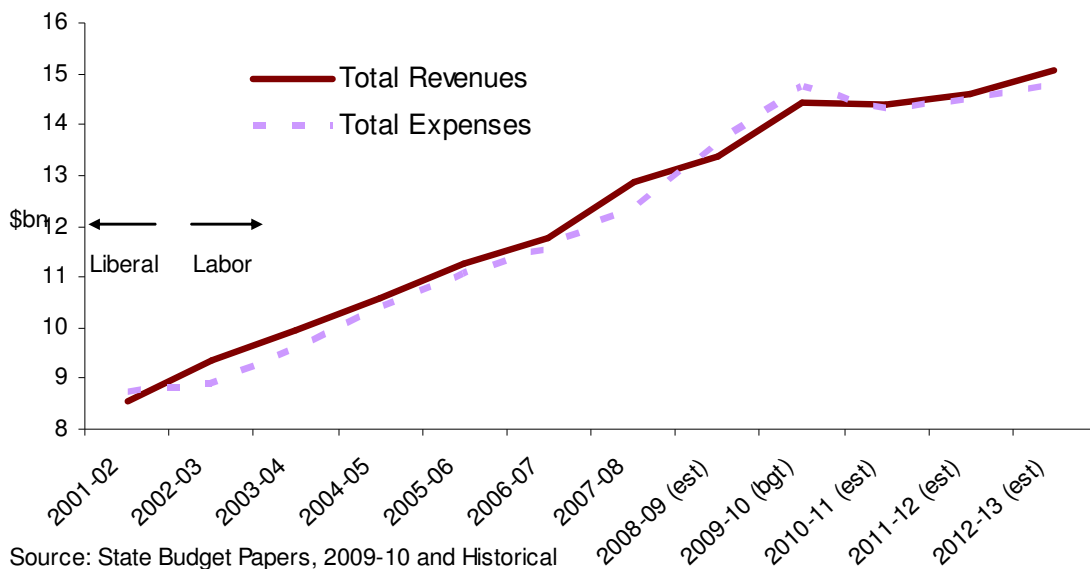
4. Expenses

Expenses control has been poor for seven years. No sooner does the money come in, than it goes out the door.

"the State may have developed a culture of expecting growing revenues to continue to support increasing expenses."

~ Auditor-General's Report, 2007-08 Part C page 6

Figure 4.1 General Government Revenue and Expenses



4.1 Public Private Partnerships (PPPs)

The Auditor General recognises that the effects of global equity market uncertainty mean that the cost of private borrowing has increased significantly, blowing out the cost of these projects for future generations:

"The credit market crunch experienced in 2007-08 and continuing at the time of this Report, raise the credit and financing risk for the PPPs. In such extraordinary circumstances, progress of these transactions should be done with high degree of caution and may indeed need review of assumptions and information used to date. This may be a significant risk to the fundamental premise of whether a PPP provides a net benefit to the public compared to conventional public sector procurement."

~ Auditor-General's Report, 2007-08 Part C page 8

The Tasmanian government has abandoned plans for their \$1.5 billion hospital on Hobart's waterfront, instead preferring to renew their existing hospital. The Tasmanian Government's business case comparing these two options stated:

"Treasury had advised that the investment required for the construction of a new hospital will not be affordable for the State within the foreseeable future due to the downturn in economic conditions."

~ New Royal Project Business Case page 1, Tasmanian Government, May 2009

The planned rail yards hospital was announced as an unbudgeted \$1.7 billion PPP – the biggest social infrastructure PPP anywhere in Australia. If it proceeds, repayments to the providing consortia will be made from 2016 to 2046. Our grandchildren will be footing the bill. Furthermore, SA taxpayers may be forced to provision billions more given the increases in the cost of private sector borrowing. But there is scant detail about the proposed rail yards hospital project in the budget.

4.2 Public Sector Blowouts

According to the State Budget Papers, from 2001-02 to 2008-09, public sector employment⁷ numbers will **increase by 16,393**. The Government now says it will cut 1,600 public servants "not directly involved in the delivery of frontline services".

The Auditor General reveals the increase in providers of core public services from 2001-02 to 2007-08. These total only 4,414 (see below).

Change in employment	01-02 to 07-08
Nurses ⁸	2,636
Teachers (Education Act)	612
Doctors ⁹	884
Police officers	282
Total	4,414

Thus there have been up to **11,979 additional public servants** employed in general administration from under Rann Labor. The majority of these were unbudgeted, placing enormous pressure on the Government's budget. Ministers have not exercised prudent budget control by letting increases in staff exceed budgeted allowances.

⁷ In full time equivalent (FTE) terms

⁸ 426 nurses were Modbury Hospital nurses transferred to the public system in 2006. ~Estimates 2006

⁹ Up to 168 doctors were Modbury Hospital doctors transferred to the public system in 2006. ~Estimates 2006

4.3 Fat Cats

In June 2008, there were 4,073 public servants earning over \$100,000, compared to only 782 when the Liberals were in Office in 2002, an increase of 3,291 or 421%!¹⁰

4.4 Slush/Contingency Funds

These are off-budget funds which help the Treasurer pay for things like blowouts in capital works projects, blowouts in public servants and ministerial staff numbers. Accounting fiddles like this are intended to mask the effect of Labor's financial mismanagement on the budget bottom line.

This Budget reveals the Treasurer has a contingency fund totalling \$467 million in 2009-10. This can be allocated to fund unbudgeted expenses, capital blowouts and election promises. This is an increase of \$104 million since 2008-09, breaking a key promise made less than six months ago in the Mid Year Budget:

"the contingency for possible future projects has been reduced, saving \$150 million by 2011-12".

~ 2008-09 Mid Year Budget, p8

4.5 Shared Services

The Government is attempting to develop a single human resource and administration Government department of 2,300¹¹ staff called Shared Services SA. The Government has estimated this program will make ongoing savings of \$60 million per annum once fully implemented. But this project has been bungled. Expected savings have not been made and costs have blown out, as noted by the Auditor General:

"Transition delays, reduced in-scope employees, accommodation 'dead rent' and potential redeployment costs, have contributed to putting pressure on achieving announced savings and budgeted implementation costs."

~ Auditor-General's Report, 2007-08 Part A page 8

The Government has wasted money on dead rent and fit out costs for this office space which is no longer needed. The Opposition will monitor whether the Government

¹⁰ Auditor General's Reports 2001-02 to 2007-08

¹¹ Department of Treasury and Finance Annual Report, 2007-08

continues to fail to deliver savings from Shared Services. This Budget contains little detail on this project.

Chapter 4 Summary Box

The Government has spent its windfall revenues on unbudgeted items. It has not paid off debt or put money away.

5. Balance Sheet

5.1 Debt Blowouts

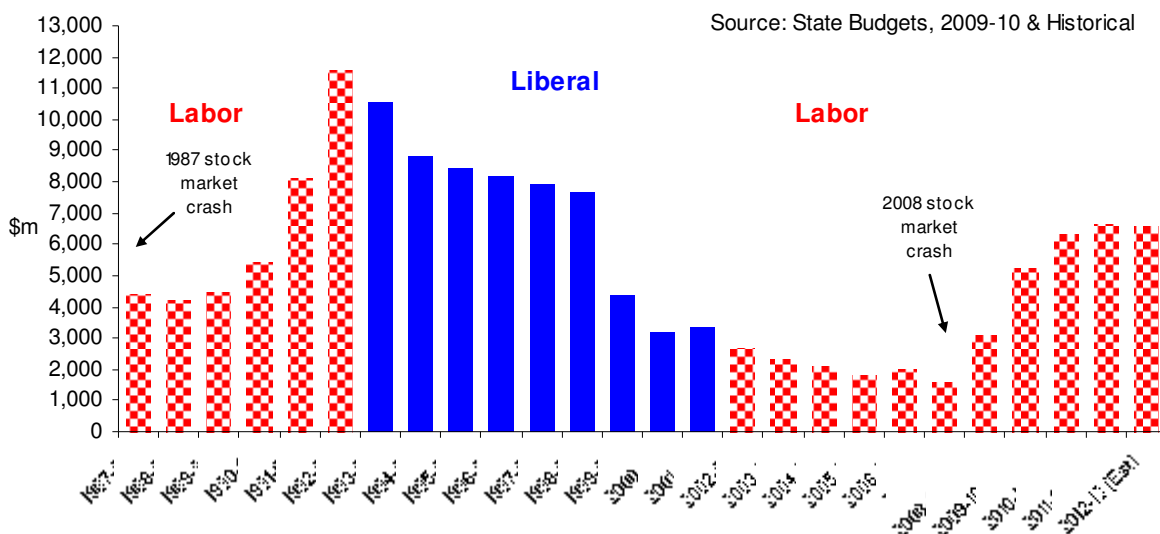
The Government’s budget spin is that debt will rise to \$3.1 billion without explaining that this is only half the picture. The whole of Government debt includes the ‘General Government’ and the ‘Public Non-Financial Corporations’ sector which includes public entities like SA Water, TransAdelaide and the SA Housing Trust. The true debt position is a striking \$6.7 billion by 2011-12.

Budget Papers reveal that through prudent fiscal management, the former Liberal Government reduced Mr Rann and Mr Foley’s State Bank debt from \$11.6 billion in 1993 to \$2.7 billion in 2002-03. Under Rann Labor’s economic mismanagement, debt is forecast to blow out yet again. If it wasn’t for Government plans to sell assets such as office buildings and employee housing (mostly in regional areas) to reduce debt, the blowout would be even larger. Finding buyers for its assets under the current economic conditions will be extremely difficult.

The spike in South Australia’s debt can only worsen as the international credit crisis raises the cost of capital for debt financing of South Australia’s infrastructure projects.

In the years following the 1987 stock market crash, there was a massive spike in State debt. Chart 5.1 demonstrates that history is repeating itself with debt projections rising with the 2008 stock market crash. Responsible financial management is desperately needed in this State.

Chart 5.1: Net Debt – Non-Financial Public Sector



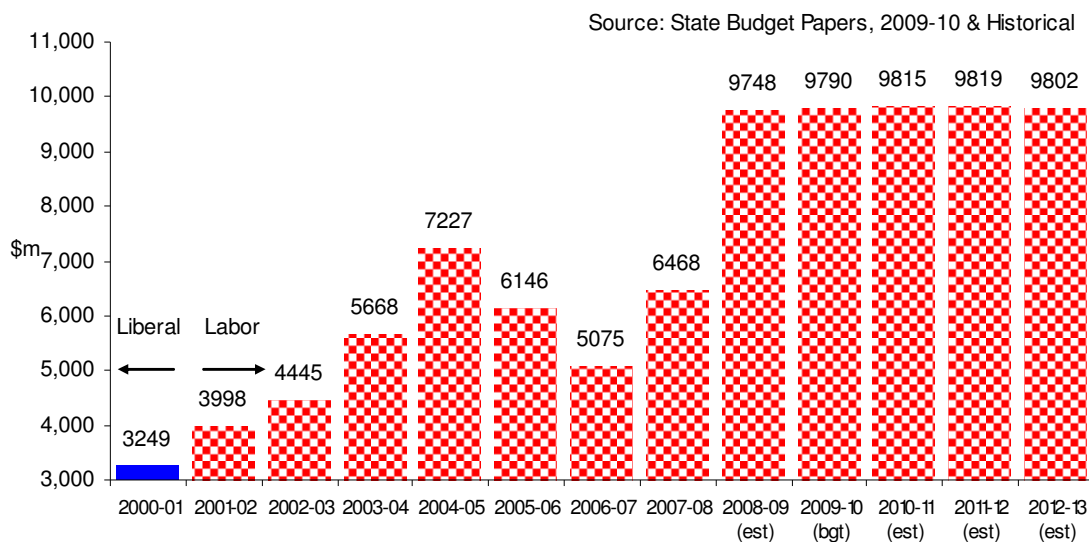
5.2 Unfunded Superannuation Liabilities

Budget Papers show that at June 2001, the General Government unfunded liability stood at **\$3.2 billion**. Under Labor, the unfunded superannuation liability has blown out to **\$9.8 billion**.

These blowouts require the Treasurer to now pay \$444 million in 2009-10 in superannuation liability interest. This is money that could pay for frontline health or education services or could be given as tax cuts.

It was the former State Liberal Government that committed to fully funding the superannuation liability by 2034.¹² With recent blowouts, this target is looking shaky.

Chart 5.2 Unfunded Superannuation Liabilities



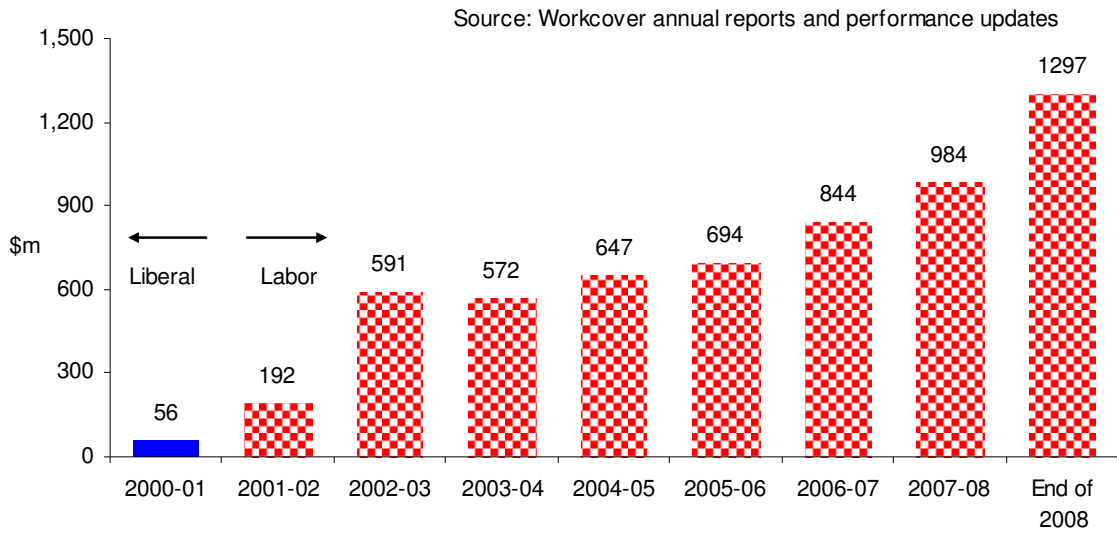
5.3 WorkCover Liabilities

The WorkCover liability is not discussed in the Budget. There are grave concerns about losses to WorkCover's investments, leading to further increases in their unfunded liability. The ability to reduce South Australia's comparatively high WorkCover levy may be compromised.

The total workers compensation unfunded liability is \$1.7 billion. This debt includes the \$1.3 billion¹³ WorkCover debt and the debt of self-insured public sector agencies (\$367 million¹⁴).

¹² 1999-00 Budget paper 2, p7.9

Chart 5.3 WorkCover Unfunded Liability (excludes the public sector liability)



Chapter 5 Summary Box
Superannuation, WorkCover and public sector debt will be paid off by our children through increased taxes.

¹³ WorkCover media release, 30 March 2009

¹⁴ 2007-08 Department of Premier and Cabinet Annual Report

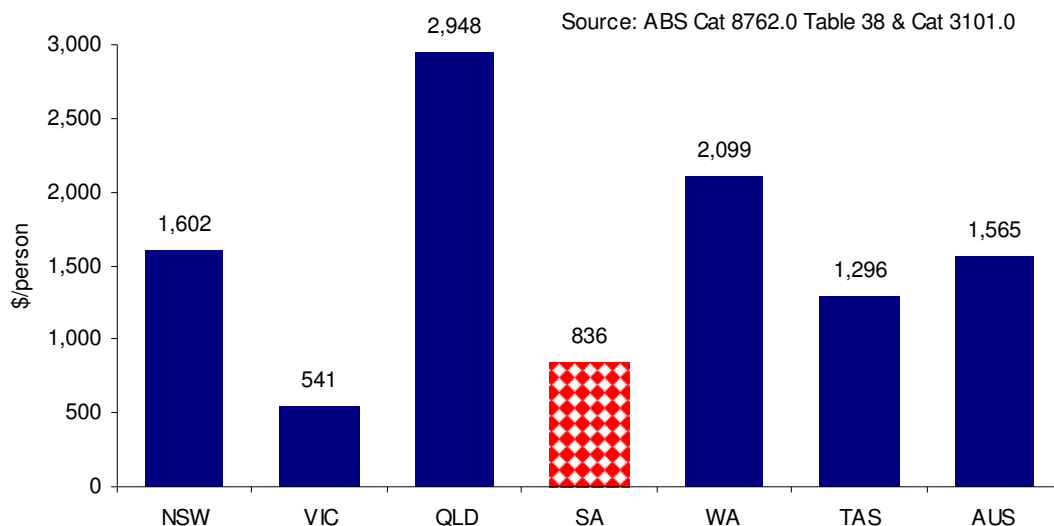
6. Infrastructure

Having done little of substance over eight years, this Budget makes significant promises for infrastructure building over the coming years. Labor cannot be trusted to deliver. The Rann Labor Government has a track record of making significant infrastructure announcements at budget time only to abandon the project by the following budget.

In the 2007-08 Budget, SA was promised a Mt. Bold Reservoir expansion. One year later in the 2008-09 Budget, the project was abandoned. SA was promised a desalination plant to provide drinkable water in the Upper Spencer Gulf in the 2007-08 Budget. A year later the 2008-09 Budget omitted the project. We were promised an underpass along South Road beneath Port Road and Grange Road in the 2005-06 Budget. Now the project has vanished. Last year we were promised tramlines to West Lakes, Semaphore and Port Adelaide. But the projects have vanished from this year's Budget. Last year SA was promised new prisons and secure facilities. This Budget abandons these projects.

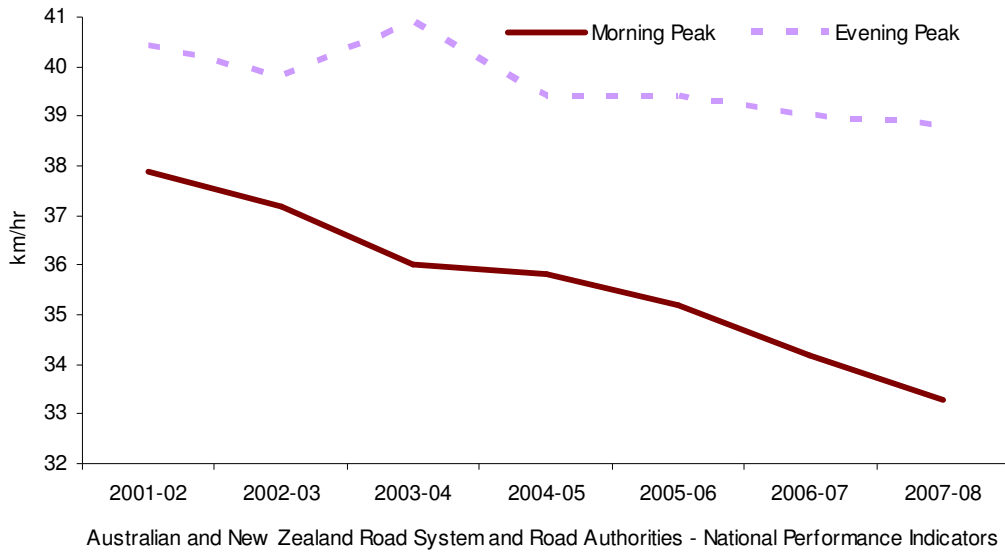
Will the \$1.7 billion rail yards hospital or the rail projects announced in this Budget vanish next year?

Figure 6.1: State Per Capita Spending on Infrastructure in 2007-08



The real size of the South Australian Government's infrastructure neglect is apparent when comparing South Australia with the other states. Figure 6.1 presents the value of engineering construction work by the South Australian Government per capita. Only Victoria performs worse than SA. This has forced the Federal Labor Government to provide bailout funding for SA.

Figure 6.2: Congestion slowing traffic, Increasing Commuting Time



Labor’s transport infrastructure spending has failed to keep pace with Adelaide’s growing traffic volumes. Figure 6.2 demonstrates that morning and evening peak hour traffic has slowed over the past six years. This reduction in average traffic speed means increased travel times for commuters, increased pollution and greenhouse gas emissions and increased spending on fuel.

The following Table summarises Labor’s infrastructure woes.

Table 6.3 Labor's Infrastructure Failure/Broken Promises¹⁵

Project	Initial Budget	Updated/Final Cost	Comments
Northern Expressway	\$300m	\$564m	Does not include \$1bn Northern Connector Corridor
Port River Bridges	\$131m	\$175m	Planned to open in 05-06, finally opened August 08
Techport Common User Facility	\$120m	\$260m	Blowout disguised as new investment
Anzac Highway Underpass	\$65m	\$114m	Traffic chaos continues
Queen Elizabeth Hospital Stage 2	\$40m	\$127m	Project delayed by almost 5 years
Lyell McEwin Hospital Stage B	\$32m	\$43.5m	Project delayed by almost 2 years
Bakewell Underpass	\$30m	\$43.5m	45% cost blowout
North Tce Tramline extension	\$21m	\$31m	Opening was delayed by 4 months
Desalination Plant	\$1.8bn	??	Massive water price hikes to fund this project
Rail yards Hospital	\$1.9bn	??	The State Liberals will renew the RAH at its current site
Mount Bold Reservoir Expansion	\$850m	Not in Budget!	Missing!
Prisons PPP	\$500m	Cancelled!	Cancelled!
Tramline Extensions to Semaphore, West Lakes & Port Adelaide	\$336m ¹⁶	Not in Budget!	Missing!
Gawler Rail Line Upgrade	\$294m	??	Federally Funded
Seaford Rail Extension	\$291m	?	Federally Funded
USG Desalination Plant	??	Not in Budget!	Missing!
Six Schools PPP	\$216m	??	Resulting in closures of existing schools
Entertainment Centre Tramline Extension	\$162m	??	Further traffic chaos on North Tce
South Road/Port Road/Grange Road Underpass	\$122m	Not in Budget!	Missing!
AAMI Stadium Upgrades	\$100m	Not in Budget!	Missing!
O-Bahn Extension	\$61m	??	Scant project detail
Britannia (Dequetteville Tce) Roundabout	\$8.8m	-	Project cancelled/promise broken

¹⁵ State & Commonwealth Budget papers and media releases unless otherwise indicated

¹⁶ Estimate based on tramline extension to the Entertainment Centre

7. Health

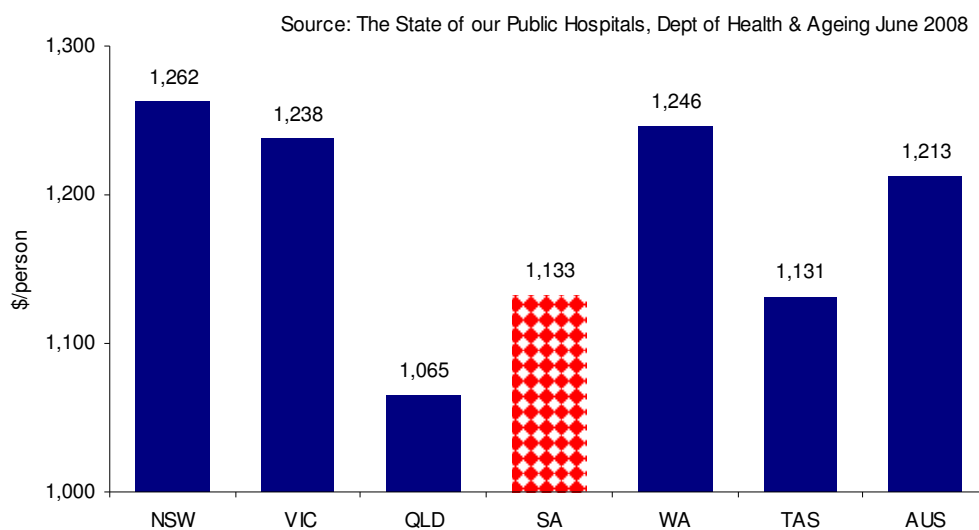
Premier Rann wants to deny voters a choice between a renewed Royal Adelaide Hospital (RAH) at its present site or a rail yards hospital. The Government panicked about voter discontent about the rail yards hospital and sought \$200 million from Federal Labor for a new research centre to be urgently built at the rail yards site.

State Labor plans to downgrade services at the Queen Elizabeth Hospital (QEH). The renal transplant unit is currently being transferred to the RAH at a cost of \$15 million and then to the proposed rail yards hospital and the QEH's Intensive Care Unit will be merged with its High Dependency Unit. The Government has relocated maternity services from the Modbury Hospital to the Lyell McEwin and the Women's and Children's Hospitals. Paediatric care has been relocated to the Women's and Children's Hospital. The Government proposes to close the acute psychiatric beds in Woodleigh House at Modbury Hospital and merge the Hospital's intensive care and high dependency services.

Concerns have been raised with the Opposition that each Government cut is being made to fund the centralised health plan which hinges on the rail yards hospital.

The SA Liberals are dedicated to providing medical services where people live rather than centralising services as the Rann Government intends. Our plans for rebuilding the Royal Adelaide Hospital will save South Australians at least \$300 million compared to the Government's rail yards hospital. That is extra money that can be spent on more doctors, nurses, teachers and police officers.

Figure 7.1: Recurrent Spending on Public Hospital Services Per Capita, Weighted Population, 2006–07



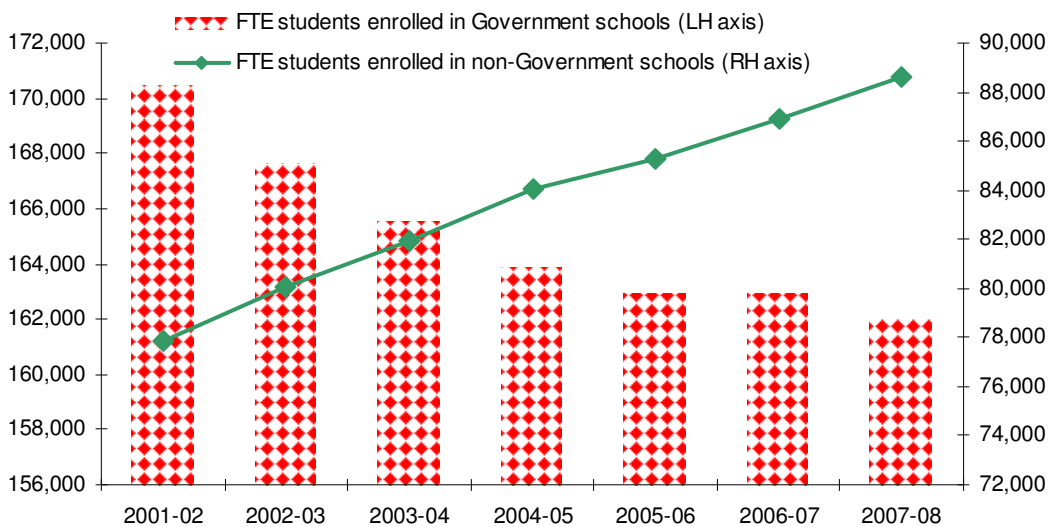
8. Education

Education is crucial to ensuring a prosperous and competitive economy.

The State Strategic Plan targets (T6.12, 6.13, 6.14) are for 93% of students in years 3, 5 and 7 to “achieve the national benchmarks in reading, writing and numeracy by 2010”. However, a recent national comparison of reading, writing and numeracy skills has found South Australia rates below the national average for Years 3, 5, 7 and 9.

The following table shows that full time equivalent (FTE) students have shifted away from Government schools under Labor. From 2001-02 to 2007-08, enrolments at private schools have risen by 14% while enrolments in government schools have dropped 5.0%. Maintaining competitive standards in public schools should be a focus of Government.

Figure 8.1: Students¹⁷ Enrolled in Government & Non-Government Schools



Source: 2007-08 Auditor General's report, p295

¹⁷ In full time equivalent (FTE) terms

9. Law and Order

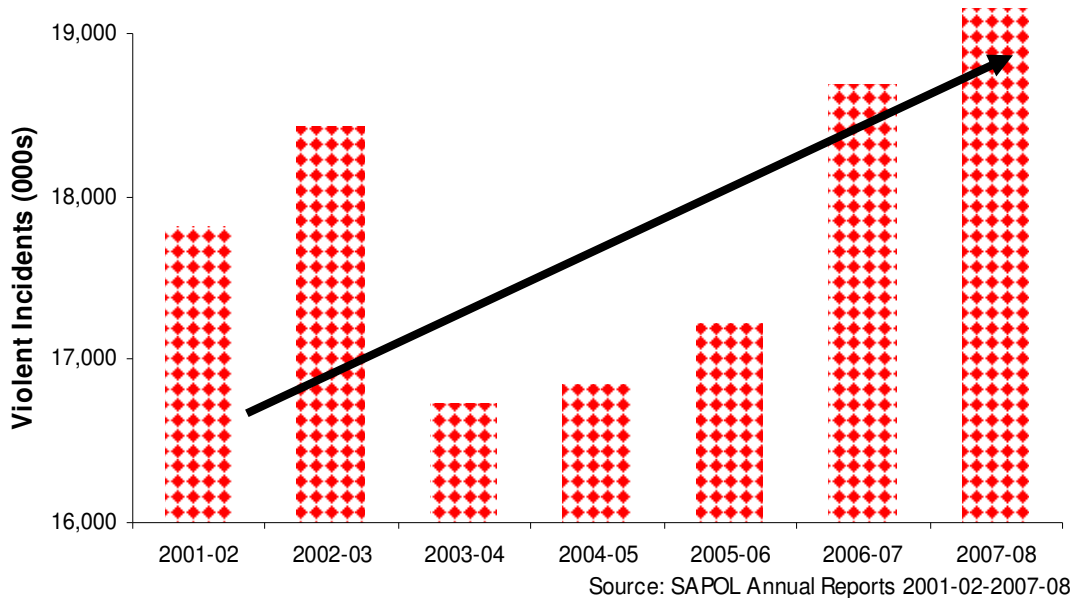
Tough talk on law and order is meaningless when the Government fails to protect the public. Violent crime is on the rise yet the Rann Government stands perplexed and flat footed in implementing strategies to curb the rise in violence.

The Rann Government must appropriately resource SA police officers with the tools, training and support they need to effectively combat the growth in violent crime. There must be larger numbers of well resourced police officers visible on our streets. Data obtained under Freedom of Information laws reveal that one in three police in SA are not 'on the beat'.¹⁸

In July 2008 Monsignor David Cappo, appointed by the Premier to the Executive Committee of Cabinet and as Head of the Social Inclusion Board said that 'not enough was being done' to combat crime.

He was right – the causes of criminal behaviour have been ignored.

Figure 9.1: Number of Violent Incidents in SA Under Rann Labor



¹⁸ The Advertiser, 1 in 3 police 'off beat', 25 May 2009

10. Country South Australia

Rann Labor has forgotten regional communities. There is only one Labor MP that represents the country in the current Government. That is why a tram down Port Road is higher priority than a regional road.

Our regions contribute to the economy through wine, agriculture, mining, tourism and many other industries but the drought and the current economic crisis have taken a toll. Regional towns are feeling the pinch as personal disposable income is reduced.

We need to support regional communities and ensure that we capture the full benefits from mining for South Australia. To do this we need to build the required infrastructure, ensure water security and other services to support population growth.

At a time of economic downturn, the Rann Government has cut about 500 jobs from country SA under its shared services program. Some employees will be forced to relocate to Adelaide.

A State Liberal Government will:

- Health: reinstate powers to local health boards.
- Infrastructure: increase the Regional Development Infrastructure Fund to \$7 million per annum, review regional speed limits & develop a program of work to address the road maintenance backlog. The RAA is calling for an extra \$200 million to address road maintenance.
- Water: work with BHP and regional communities to seek further opportunities for desalination in the Upper Spencer Gulf and encourage the development of stormwater and wastewater projects across regional SA.
- Education: issue a list of priorities for action for both the backlog of maintenance and resource needs in our regional schools.

11. Impact on Households & Small Business

11.1 Households

The Rann Government increased household water bills by 16% in 2008-09, with a further increase of 18% in 2009-10 in an effort to fund the desalination plant. This is a cumulative increase of 37% - equating to an extra \$134 per annum for the average user. The Treasurer previously told 5AA radio on 11 March 2008 that he plans to double water prices within five years. Prices may increase beyond this to help fund the doubling of the desalination plant. **Since the previous State Liberal Government left Office, water bills have increased by 72%.**

South Australia's vehicle registration costs are not competitive with other states. South Australia is also among the highest taxing state for CTP insurance¹⁹ and for stamp duty payable on other insurance policies.

Property tax revenues have almost doubled under Premier Rann, primarily due to increased stamp duty and land tax. Aside from Victoria, South Australia is the least cost-competitive state for stamp duty. This is a huge impost on first home buyers and damages our interstate competitiveness for prospective migrants and businesses.

Land tax has increased by 292% under Rann Labor. The number of land tax payers has almost trebled during this time – increasing from 69,000 to 188,000.²⁰ These costs are not only paid directly, but are also passed on to commercial and residential renters. This hurts self-funded retirees, investors and low to middle income renters.

The Emergency Services Levy, Save the River Murray Levy and Natural Resource Management Levy have all risen to record levels under Rann Labor.

11.2 Small Business

Almost 9,500 South Australian businesses were liable to pay payroll tax in 2007-08. Only 7,200 businesses were liable in 2001-02.²¹ This is an increase of 31%. The State's regime remains among the most punitive of all states. This is a disincentive to job creation and also impacts upon the interstate competitiveness of South Australian businesses. Flagging employment growth has caused SA's share of the national jobs

¹⁹ Insurance Commission of Western Australia, July 2008

²⁰ Department of Treasury and Finance annual reports

²¹ Department of Treasury and Finance annual reports

market to decline significantly. If growth in South Australian employment had kept pace with national growth since Labor came to Office, there would now be 18,000 more people employed in the State!

Compared to other states, the SA Government's WorkCover scheme has the highest rate of premiums charged to employers, the lowest funding ratio (highest future debt liability) and the worst rate of serious injury.²² Premier Rann has promised lower industry premiums and better scheme performance, but has failed to deliver. For businesses that choose to leave the scheme and self insure, there is a huge impost of exit fees. The Rann Government's poor management of workers compensation is hurting workers, its hurting businesses and its costing jobs.

The Government's land tax and broader property tax regime also impacts on small business & their customers (e.g. grocers, earth movers). The State Government has also reneged on its promise to abolish all agreed business taxes in exchange for GST revenue. This is a broken promise.

When the State Liberals left Office in 2002, small businesses in SA were the most supportive of State Government policies of all states. Now SA small businesses are the 2nd least supportive of all states.²³

²² WorkCover Queensland Annual Report 2007-08 p15, Australian Safety & Compensation Council, June 2007

²³ Sensis (2009) Business Index, February 2002 & February 2009

12. Conclusion

This is the most important Budget in this Government's eight years. But State Labor has failed to deliver. Again. South Australian households are feeling the pain. We are confronted with some dire warnings, particularly around financial mismanagement.

The Government has continued to demonstrate an inability to control spending. Labor has a spending problem not a revenue problem - the Commonwealth has more than compensated for revenue losses.

Labor is racheting up debt to alarming levels. If it increases debt further, South Australia risks losing its AAA credit rating. State taxes are already more severe than any other state²⁴ so the Government cannot increase taxes to pay off debt. And it cannot spend its way out of trouble.

Labor has wasted seven of the best years and has been caught out by the downturn. They have not put money away during the good times but spent it all.

The previous Liberal Government's final budget forecast revenue was \$7.4 billion in 2001-02. Revenue in 2009-10 is forecast to be almost double at \$14.4 billion. But where has the money gone?

The State Liberals will be closely monitoring the precarious position of the State's finances prior to the March 2010 election.

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²⁴ Commonwealth Grants Commission (2009)