

STATE BUDGET

2019-20

WE'RE BUILDING A BETTER FUTURE FOR SOUTH AUSTRALIANS

BUDGET OVERVIEW

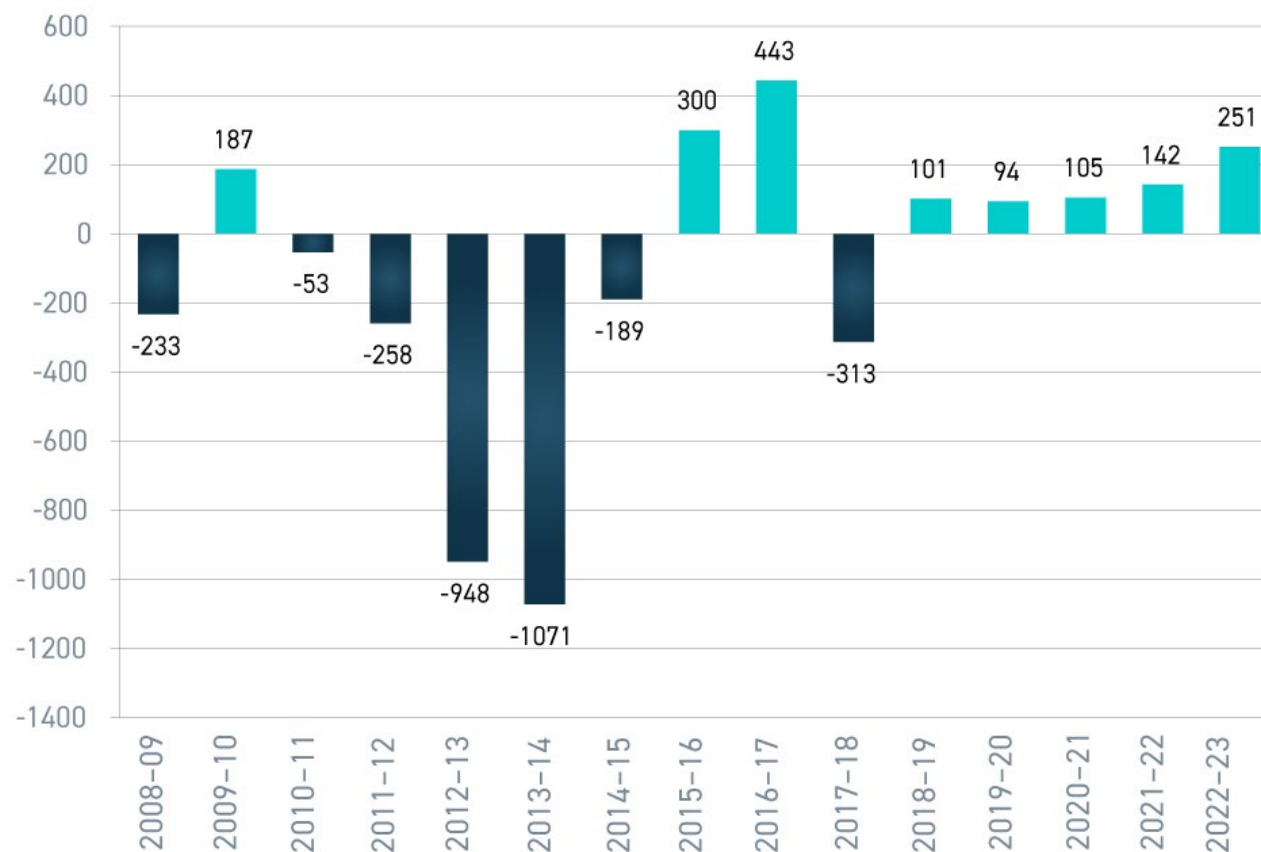
- The 2019-20 Budget is focused on:
 - building a strong economy
 - growing jobs
 - delivering a bright future for South Australians
- The 2019-20 Budget delivers operating surpluses every year and ensures a sustainable budget position in the future
- Massive infrastructure programme funded by increased levels of state debt
- \$11.9 billion over 4 years in non financial public sector infrastructure spending to build new metropolitan and regional roads and deliver key infrastructure projects

KEY BUDGET INDICATORS

	2018-19 ESTIMATED RESULT	2019-20 BUDGET	2020-21 ESTIMATE	2021-22 ESTIMATE	2022-23 ESTIMATE
General government Net operating balance (\$m)	101	94	105	142	251
General government Net lending (\$m)	-579	-1 069	-654	-989	-585
General government Net debt (\$m)	6 289	9 468	10 752	12 278	13 208
Non-financial public sector Net debt (\$m)	13 547	16 713	18 154	19 949	21 271

NET OPERATING BALANCES

GENERAL GOVERNMENT SECTOR NET OPERATING RESULT (\$ MILLION)



STATE BUDGET 2019-20



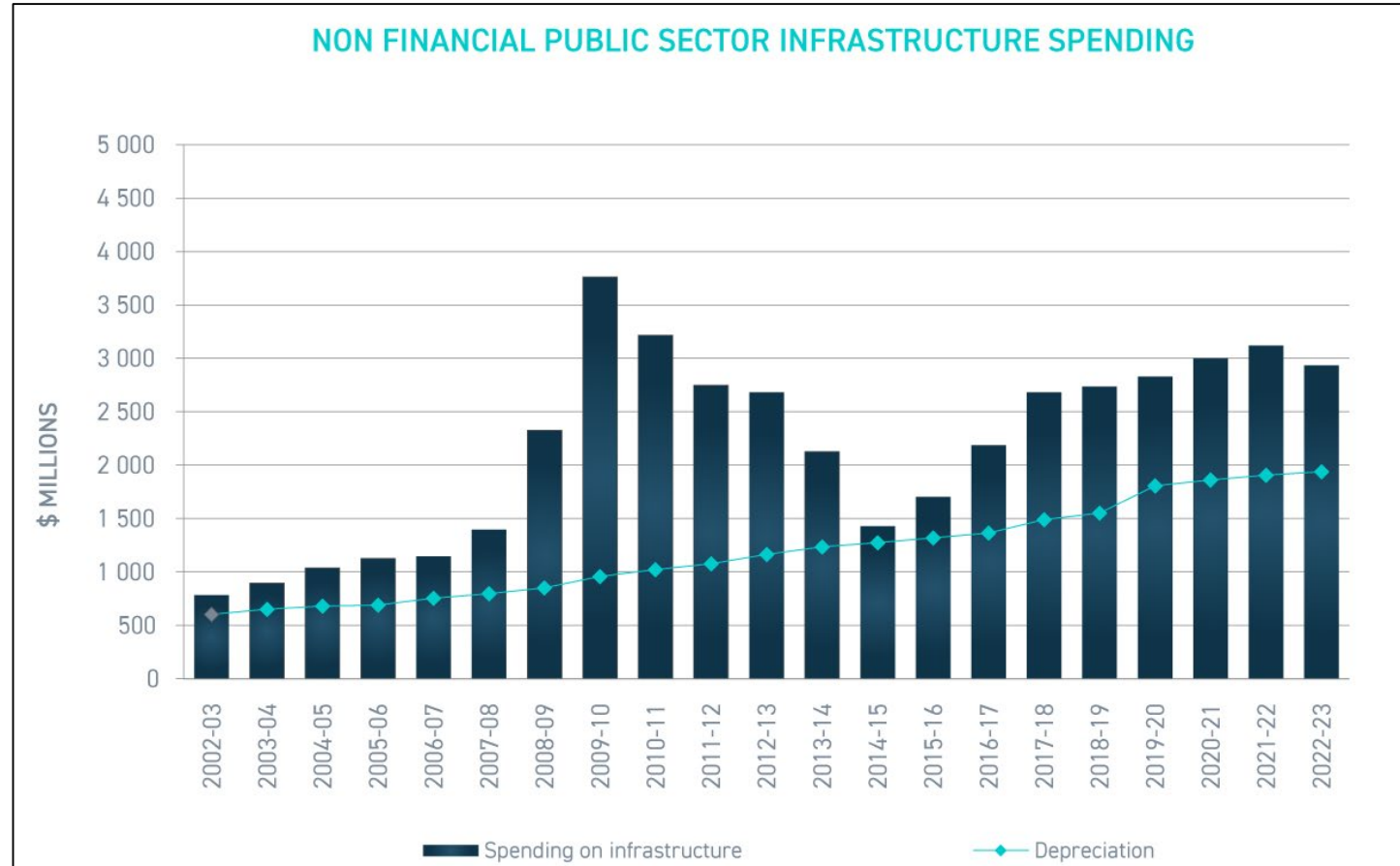
GROWTH IN NET DEBT

NET DEBT COMPARISON ACROSS JURISDICTION

	NSW	VIC	QLD^	WA	SA	TAS	NT	ACT
NFPS - Net debt at 2018-19 (\$m)	13,113	38,279	37,428	43,330	13,547	1,972	4,191	3,670
NFPS - Net debt at 2022-23 (\$m)	69,347	74,116	57,755	43,209	21,271	4,709	8,021	5,133
Growth in Net Debt	429%	94%	54%	0%	57%	139%	91%	40%
GG Net Debt to Revenue as at 2021-22	37%	66%	27%	81%	58%	12%	95%	52%
NFPS Net Debt to Revenue as at 2021-22	66%	85%	78%	68%	89%	40%	109%	78%

^ QLD's net debt is inclusive of financial assets held to fund its superannuation liability.

SUBSTANTIAL COMMITMENT TO INFRASTRUCTURE SPENDING



Non financial Public Sector purchase of non-financial assets excluding the Royal Adelaide Hospital financial lease of \$2.8 billion in 2016-17.

STATE BUDGET 2019-20



BUDGET CONTEXT

- Significant reduction to estimated GST revenues of \$2.1 billion over 4 years
- Softer than expected housing market has also meant a further write down of conveyance duty by \$184 million over 4 years since the 2018-19 MYBR
- Benefits of partnering with the Commonwealth Government has enabled significant investment in infrastructure

GST & STAMP DUTY REVENUE REVISIONS AGAINST 2018-19 MYBR

	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m	Total \$m
<i>Revisions to GST Revenue</i>	-171	-517	-667	-760	-2,115
<i>Revisions to Stamp Duty</i>	-21	-51	-54	-58	-184
Total	-192	-568	-721	-818	-2,299

HOUSING STIMULUS PACKAGE



- \$104.5 million housing stimulus package including:
 - An interest free deposit gap loan of up to \$10,000 funded, via an Affordable Housing Fund of \$2 million, to be administered by HomeStart. Available from 1 September 2019 for 2 years
 - A \$21.4 million housing construction programme in 2019-20 and 2020-21 to be undertaken by the South Australian Housing Authority – will build 90 new homes
 - A \$21.1 million preventative maintenance and upgrade programme in 2019-20 to be undertaken by the South Australian Housing Authority
- It is estimated that the support package will result in around 170 new housing contracts being entered into and around 120 housing outcomes for those struggling to buy an established property

COMMITMENT TO ROAD SAFETY



- **\$834 million over 4 years**, including:
 - \$692 million for new road infrastructure projects, including level crossing and intersection upgrades and duplication and targeted works on key regional roads
 - \$75.5 million to undertake shoulder sealing, install additional overtaking lanes, and resurfacing on the Sturt Highway, Barrier Highway, Eyre Highway, and the Princes Highway
 - \$12.9 million to improve our most dangerous roads under the National Blackspot Program
 - Guarantee that total funding spent by MAC on road safety, communications and strategic partnerships will continue in the future:
 - \$33.4 million over 4 years for SA Police to undertake road safety public campaigns and communications
 - \$18 million over 4 years to continue our strategic road safety community partnerships
 - \$150,000 in 2019-20 to implement a cross-agency road safety data analytics capability
 - Establishing an expert Road Safety Committee
- Increased penalties for high risk offences

BUILDING A SUSTAINABLE HEALTH SYSTEM



- \$550 million provisioned to commence the construction of the new Women's and Children's Hospital
- \$451 million over 5 years to create a sustainable and efficient health system
- \$69.1 million over 4 years to reactivate the Repatriation General Hospital site as a genuine health precinct
- \$5 million in 2018-19 to establish a state-wide eating disorder service at the Repatriation General Hospital site

BUILDING OUR ECONOMY



Funded through the Economic and Business Growth Fund:

- \$33 million over 5 years for additional marketing of South Australia
 - On top of the \$10 million provided last year, bringing total additional funding to \$43 million
- \$10 million over 3 years for the Accelerated Discovery Fund
- \$7.5 million over 3 years for the red meat and wool industry growth program
- \$6.35 million towards the \$24.3 million package to deliver the enabling infrastructure to help Thomas Foods International rebuild and expand at a new Murray Bridge site
- \$6 million in 2018-19 in additional support for film production in South Australia
- \$4 million over 4 years to establish a South Australian Landing Pad

STATE BUDGET 2019-20



BUILDING OUR ROADS



- \$734 million on new metropolitan transport infrastructure:
 - \$402 million on level crossing upgrades
 - \$305 million on congestion busting projects
 - \$26.5 million to widen Flagstaff Road

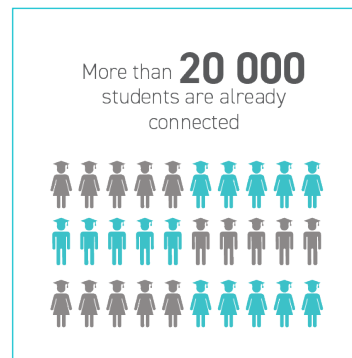
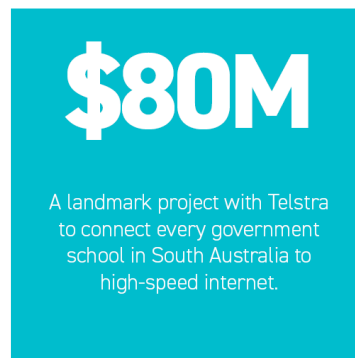
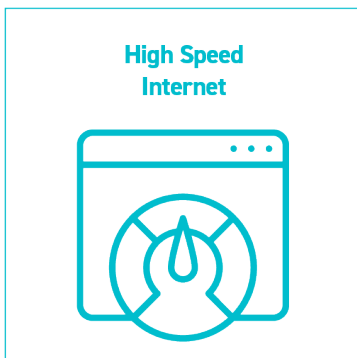
\$3 billion in additional funding towards the completion of the North-South Corridor

- \$1.1 billion over 8 years to be spent on regional roads
- \$878 million in total on new regional transport infrastructure:
 - \$330 million including for Horrocks Highway and Victor Harbor Road duplication
 - \$275 million to upgrade roads, including Renmark to Gawler, Cockburn to Burra and Pt Augusta to the Western Australian border
 - \$250 million to upgrade the Princes Highway

BUILDING SCHOOLS AND TRAINING



- \$1.4 billion in school and VET infrastructure over 4 years
- \$611 million more will be spent on education in 2022-23 compared to 2018-19
- \$185.3 million over 7 years for capital upgrades to government schools to facilitate the transition of year 7 into high school and for system growth
- \$26.8 million over 4 years in additional support for TAFE SA
- \$17.2 million over 5 years to redevelop the Berri Senior Campus of Glossop High School and consolidate the school's two campuses



STATE BUDGET 2019-20



SECURING OUR COASTLINE AND ENVIRONMENT



- \$48.4 million over 4 years for immediate sand carting and critical sand replenishment on our metropolitan coastline, and the construction of a pipeline from Semaphore South to West Beach
- \$4 million for regional coastline protection works
- \$12 million over 4 years to assist councils and the waste management industry transition and modernise following international market conditions
- \$11.8 million for our state's parks and open spaces, including:
 - \$6 million over 4 years for the Great Southern Ocean Walk
 - \$3.3 million over 4 years in park renewal investment
 - \$2.5 million in 2019-20 for the Glenthorne National Park
- \$9.4 million over 4 years to support the Murray River and operate key infrastructure

STATE BUDGET 2019-20





CITY DEAL



- A 10 year \$551 million agreement between the State, Commonwealth and the City of Adelaide
- Focussed on the development of Lot Fourteen as an innovation precinct that will be home to leading businesses, entrepreneurs and associated organisations, major cultural attractions and educational programs and facilities
 - Lot Fourteen will include the Aboriginal Art and Cultures Gallery, International Centre of Food, Hospitality and Tourism Studies, Innovation Hub and the Indigenous Innovation and Incubation Hub
 - Home to the National Space Agency
- Also provides funding for important tourism projects in the greater Adelaide region

BUILDING STRONGER COMMUNITIES



- \$75 million over 5 years to address critical housing needs in remote communities in partnership with the Commonwealth
- \$26.9 million over 3 years to meet additional costs for children in out-of-home care
- \$8.7 million over 3 years to establish central response units to both the Disability Royal Commission and Aged Care Royal Commission
- \$6.9 million in early intervention programmes for vulnerable young children and their families
- \$6.7 million in 2019-20 to support the completion of service reform and disability functions

BUILDING SAFER COMMUNITIES



- \$52.2 million for South Australian Police initiatives including:
 - \$18.6 million over 4 years to implement the second stage of the district policing model
 - \$16.5 million over 3 years to upgrade the police communications centre
 - \$9.5 million over 4 years to further progress the government's counter terrorism enhanced rapid response capability
- \$13.9 million over 4 years to meet the costs of operating 40 new beds at the Adelaide Women's Prison
- \$4.5 million over 4 years to ensure CFS meets new heavy vehicle compliance standards
- \$4.3 million over 4 years for new personal protective equipment for MFS firefighters
- \$3.1 million over 4 years to provide the state with Fixated Threat Assessment capability
- While maintaining our election commitment to slash ESL bills by \$90 million

BUILDING OUR REGIONS

- A record \$1.1 billion over 8 years on regional road projects and transport infrastructure upgrades
- \$75 million over 5 years to address critical housing needs for people in remote communities
- \$32.7 million over 5 years in additional resources to fund capital upgrades at our regional schools
- \$25 million to upgrade South Australia's dog fence
- \$10 million towards a new Mount Gambier Regional Community and Recreation hub
- \$5.6 million over 5 years for a remote areas energy supply scheme



COST OF LIVING REDUCTIONS



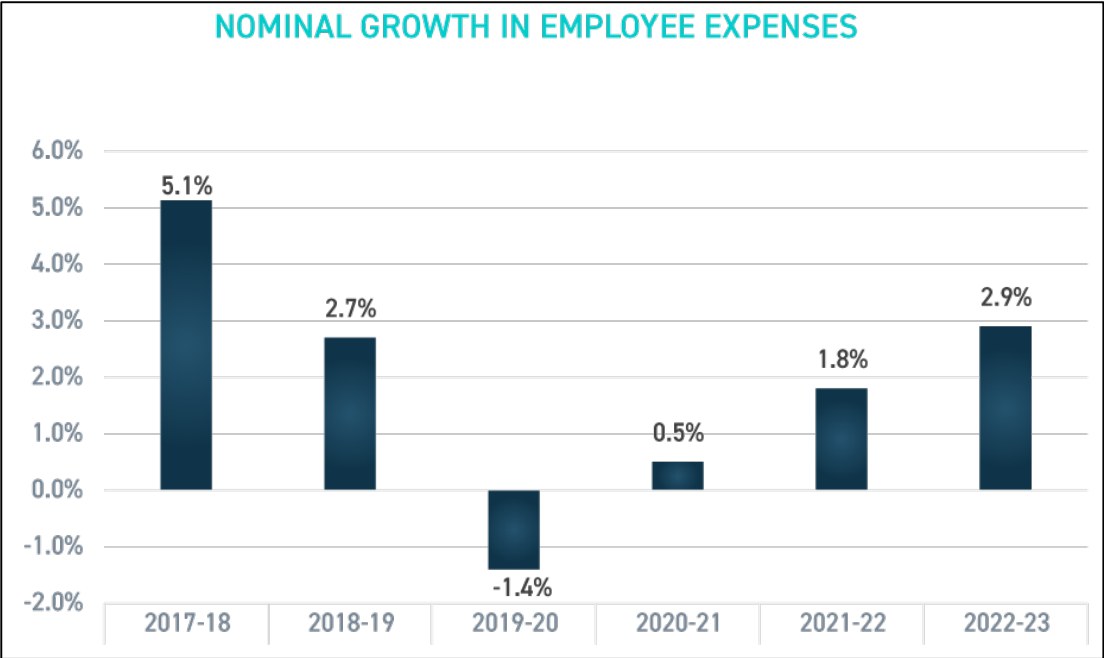
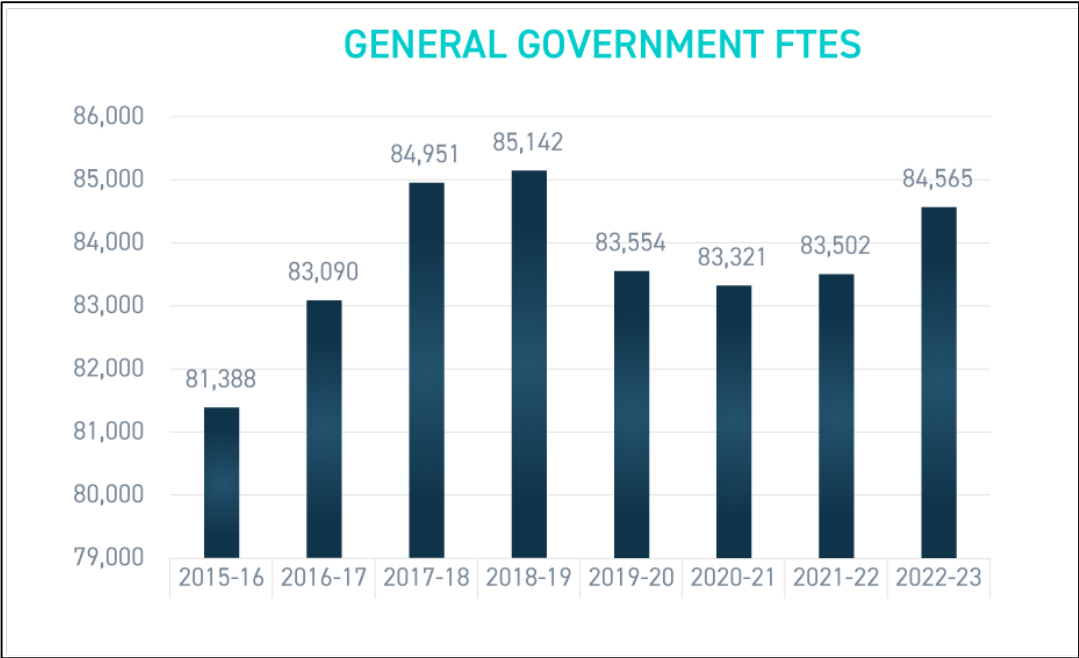
- The government is continuing our commitment to provide \$90 million of ESL remissions
 - For the median valued house value of \$480,000 – saving in 2019-20 is \$163.05
 - For a family with a house value of \$750,000 – saving in 2019-20 is \$254.70
- The government has negotiated a better deal with a major energy provider so that another 120,000 low income households are eligible for savings of up to \$585 on their current energy bills
- From 1 July, CTP premiums for running an average car in the metropolitan area will be slashed by up to \$114.48 per car. For the more than 300,000 households with 2 or more cars the potential savings will be more than \$200 per household
- Increase to public transport fees limited to 2%
- Water and sewerage rates increases limited to 1.3% on average
- Continuing our commitment to a \$100 sports voucher towards the cost of membership or registration fees for primary school aged children participating in sport and recreation programmes – for a family of 2 children, that provides a \$200 benefit

A RESPONSIBLE BUDGET



- There will be a one off 5% increase to fees and charges in 2019-20. The standard fees and charges rate will be used in future years
- Certain expiation and business fees will increase by more than 5%
- Solid waste levy will increase to \$110 per tonne from 1 July 2019 and then to \$140 per tonne from 1 January 2020. This will raise around \$24.8 million per annum once fully implemented
- The Government will also increase the dividend payout ratio for government businesses to 100% of profit after tax. This will raise \$24 million in 2019-20, rising to \$29 million in 2022-23
- From 1 July 2018, SAHA commenced operating as an independent housing authority. In recognition of this change, the 2019-20 Budget provides for the recapitalisation and revised funding arrangements for SAHA from 2018-19
- Ownership of key TAFE SA properties will be transferred from Renewal SA to TAFE SA in early 2019-20
- New operating savings of \$361.6 million over 4 years

GOVERNMENT EMPLOYEE COSTS



HEALTH SYSTEM - PROGRESS

- CALHN, supported by administrators KordaMentha, is making progress in implementing its financial recovery plan but there is more to be done
- To the 6 months to 31 December 2018, CALHN's indicative cost of activity was 21% above national efficient price (NEP). Significant improvement on the 30% above the NEP for the 12 months to 30 June 2018
- Agency nursing staff in March 2019 just 0.7% of the workforce – compared to 7.7% in January 2018
- Backlog of 10,000 un-coded episodes of care have now been cleared

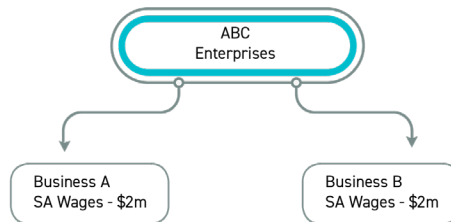
A FAIRER TAX SYSTEM

- RevenueSA to undertake additional payroll tax compliance work to ensure all taxpayers are complying with their payroll tax obligations
- Improved land tax aggregation provisions to ensure there is equity between taxpayers
- A land tax surcharge on certain trusts to provide a level playing field for all taxpayers

EXAMPLE

PAYROLL TAX – GROUPING COMPANIES

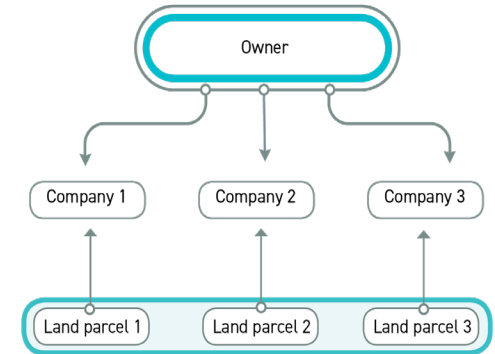
- Business A and Business B submit payroll tax returns as separate businesses
- Each business has liable SA wages of \$2 million per annum, receives the \$600,000 threshold and pays \$69,300 in 2018-19 (total tax: \$138,600)
- However, ABC Enterprises has beneficial control over both Business A and Business B.
- These businesses should be grouped for payroll tax purposes, resulting in one annual deduction of \$600,000 across both businesses.
- Total payroll tax liability for ABC Enterprises would be \$168,300 in 2018-19 (\$29,700 more than if not grouped)



EXAMPLE

LAND TAX – AGGREGATION

- A taxpayer may set up multiple companies to each own a taxable land parcel.
- Notwithstanding that the companies are all controlled by the same taxpayer, these companies would be subject to land tax on the value of the land owned by each company independently (a single parcel), rather than aggregated.
- An improved approach to the aggregation of land for land tax purposes will be introduced in South Australia to look through separate legal structures to determine the true owner of land, levelling the playing field for all taxpayers.



ACCOUNTING STANDARDS



- New accounting standards for revenue and leases will take effect from 2019-20
 - All states are implementing these changes
- While the changes impact the budget aggregates, the underlying transactions have not changed
- NFPS net debt is expected to increase by \$1.3 billion at 30 June 2020 and by \$977 million at 30 June 2023, primarily due to the new lease accounting standards
 - Similar impacts in other states
- Not expected that credit ratings agencies will vary their ratings as a result of the new lease accounting standards, as the underlying obligations have not changed

OUR ECONOMY

KEY ECONOMIC INDICATORS – AUSTRALIA AND SOUTH AUSTRALIA REAL GROWTH RATES (per cent per annum, year averages)

	2017-18 Actual	2018-19 Estimate	2019-20 Forecast	2020-21 Projection	2021-22 Projection	2022-23 Projection
Australia						
Gross Domestic Product (GDP)	2.9	2¼	2¾	2¾	3	3
South Australia						
Gross State Product (GSP)	2.0	2	2½	2¼	2¼	2¼
State Final Demand (SFD)	3.3	2¼	2	2¼	2¼	2¼
Employment	2.2	1¼	1	1	1	1
Adelaide Consumer Price Index (CPI)	2.3	1½	1¼	2¼	2½	2½

BUDGET OVERVIEW

- The 2019-20 Budget is focused on:
 - building a strong economy
 - growing jobs
 - delivering a bright future for South Australians
- The 2019-20 Budget delivers operating surpluses every year and ensures a sustainable budget position in the future
- Massive infrastructure programme funded by increased levels of state debt
- \$11.9 billion over 4 years in non financial public sector infrastructure spending to build new metropolitan and regional roads and deliver key infrastructure projects

KEY BUDGET INDICATORS

	2018-19 ESTIMATED RESULT	2019-20 BUDGET	2020-21 ESTIMATE	2021-22 ESTIMATE	2022-23 ESTIMATE
General government Net operating balance (\$m)	101	94	105	142	251
General government Net lending (\$m)	-579	-1 069	-654	-989	-585
General government Net debt (\$m)	6 289	9 468	10 752	12 278	13 208
Non-financial public sector Net debt (\$m)	13 547	16 713	18 154	19 949	21 271

STATE BUDGET

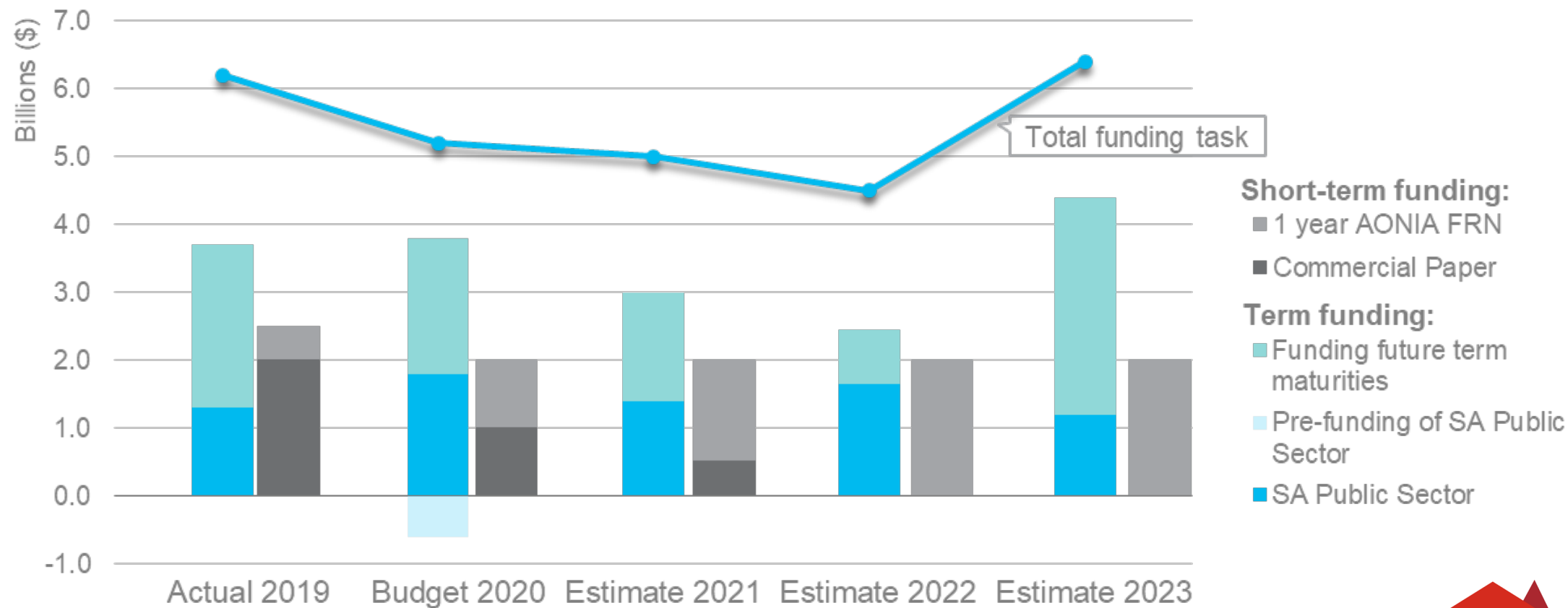
2019-20

WE'RE BUILDING A BETTER FUTURE FOR SOUTH AUSTRALIANS

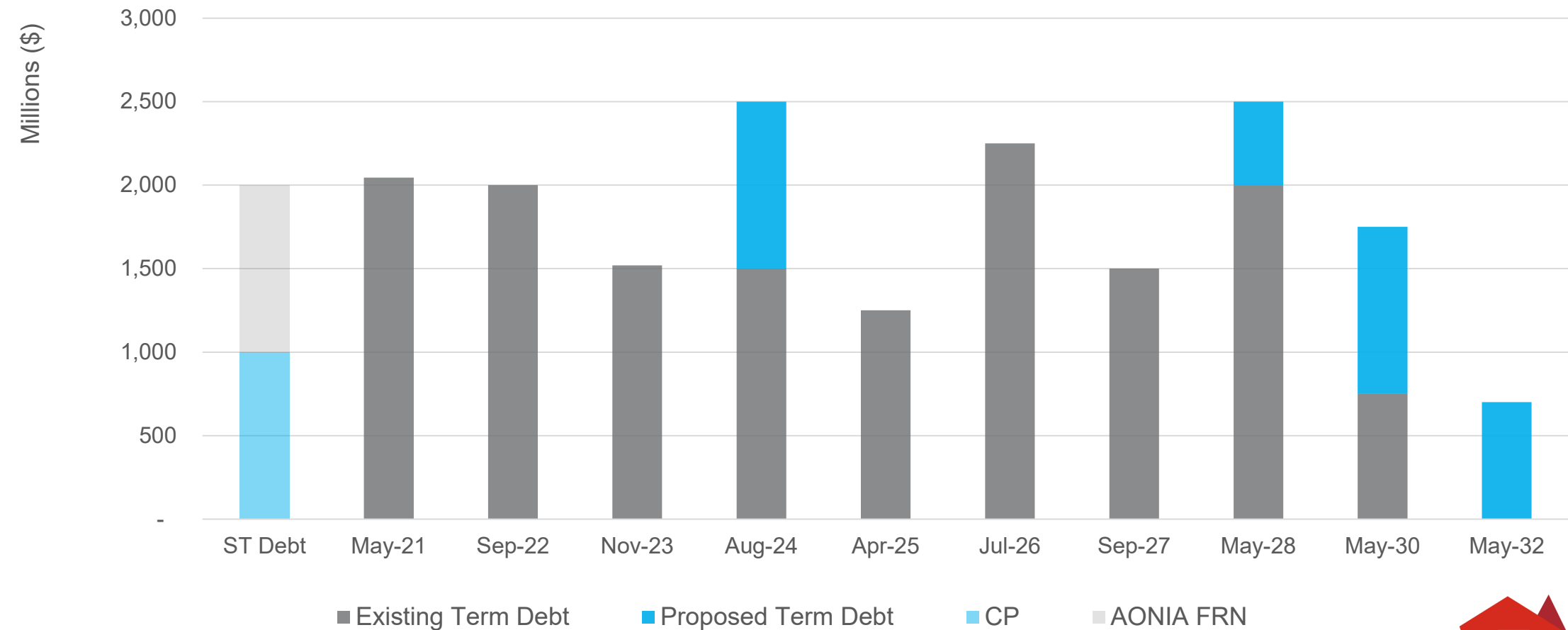
SAFA Funding Program Update

Andrew Kennedy

Indicative funding task



Projected 2020 debt profile



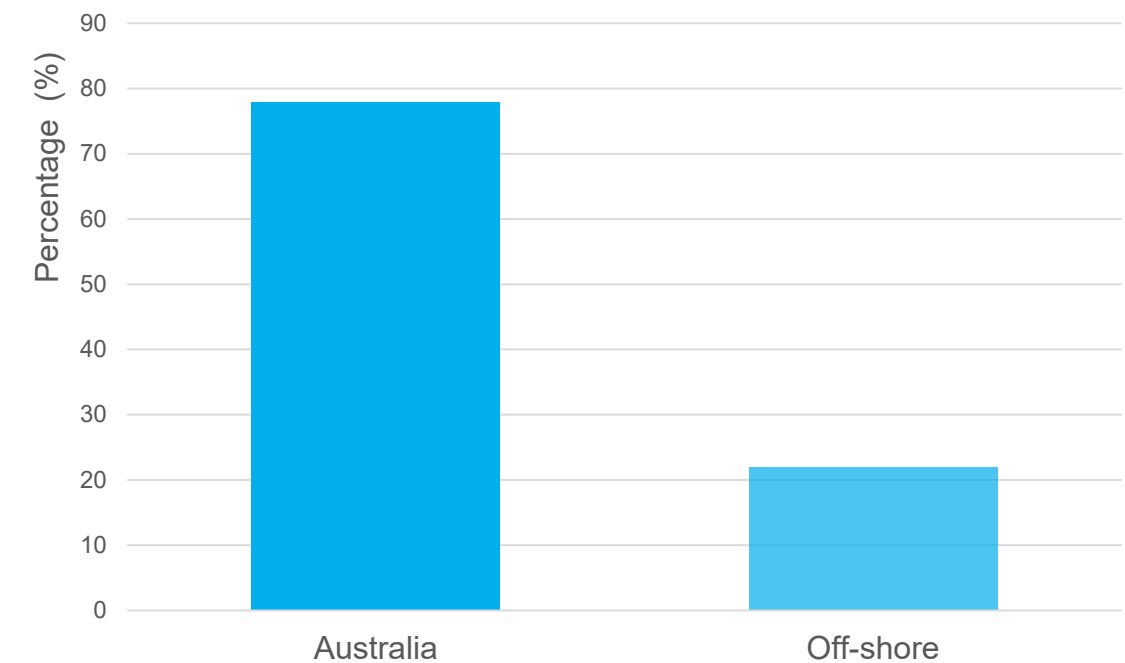
Fundraising

- SAFA has had good access to markets for its funding requirements.
- Sufficient levels of liquidity held to ensure the State meets its financial obligations.
- Continue to focus on building each even calendar year Select Line bond to AUD 3 billion for term funding.
- Maintain approximately AUD 2 billion of short-term debt outstanding.
- During 2019-20 SAFA will focus on further AONIA FRN issuances as an alternative to CP issuance.



Primary debt ownership distribution for 2018-19

Geographic



Investor Type



Market developments and objective

- Develop a strategy to create an Environmental and Social Governance Framework.
- Maintain and enhance access to financial markets through bank and investor communication.
- Monitor market factors including geo-political, liquidity, credit, regulatory and operational risks.
- Continue to investigate and develop alternate risk free rate benchmark products.



SAFA

*South Australian Government
Financing Authority*



**Government
of South Australia**

