



2021/22

# STATE BUDGET SUMMARY

SOUTH AUSTRALIA  
JUNE 2021



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# Executive Summary

At a macro level, this is a good State Budget – especially considering where we have come from since the COVID-19 pandemic began last year. Considering this is effectively an election budget, it was not the most exciting of budgets. Despite a lack of any big new announcements, it delivered as expected – with significant money allocated to construction and infrastructure, health and COVID-19 hotel quarantine and vaccine rollout.

The steady downwards trend in water and electricity prices provides business a double shot of positivity as it not only reduces their running costs, also leaving more money in the pocket of their customers. Incentives to take on trainees and apprentices have also been provided to many South Australian business through the extension of the payroll tax exemptions. This a big win – and very much welcomed by Business SA.

There are a few areas where we expected more.

Given South Australia's global renewable energy leadership, Business SA continues to encourage the State Government to better articulate a strategy to leverage economic growth in the burgeoning low emissions and circular economy sector.

While the most recent results from our Survey of Business Expectations showed remarkable resilience in the South Australian economy – with bounce back figures not seen since before the Global Financial Crisis, there are still a good proportion – around 21 per cent – who are still struggling due to COVID-19 impacts.

We agree with the Government that jobs are paramount in South Australia – especially as our unemployment rate in the nation hovers at or near the top. Business SA believes though, that there are many ways to skin a cat. Ensuring South Australia is a great place to do business and encouraging new ventures to set up shop here is very important – it's how you build a broad business mix. But we also believe that introducing programs to upskill our existing SME business owners to grow their business and therefore employ more people is a no brainer to solving the unemployment situation.



# Economic & Fiscal Overview

## Economic Overview

When the Government presented their last budget in November last year, they clearly did not expect to be in the position they are in now. All forecasts have significantly increased since then, and the expectation of U-shaped recovery has turned pointedly into a V. Government expectations for economic growth have changed significantly since the last budget, with Gross State Product (GSP) expected to grow by 2.25 per cent in 2020/21, up significantly from the contraction of 0.75 per cent expected in November 2020. Moreover, the Government expects economic growth to return to pre-COVID levels by 2022/23. Conversely, when we consider the economic growth expected by the Commonwealth Government of Australia, South Australia unfortunately falls short.

Budget release	Actual economic growth (real GDP)		Forecast economic growth (real GDP)				
	18/19	19/20	20/21	21/22	22/23	23/24	24/25
State Mid-Year Budget Review 19/20 (Dec 19)	1.40%	1.75% <i>est</i>	2.25%	<b>2.25%</b>	2.25%	-	-
State Budget 20/21 (Nov 20)	-	1.75% <i>est</i>	-0.75%	<b>4.25%</b>	3.00%	3.00%	-
State Budget 21/22 (Jun 21)	-	-1.40%	<b>2.25%</b>	<b>3.50%</b>	<b>2.25%</b>	<b>2.25%</b>	<b>2.25%</b>
Federal Budget 21/22 (May 20)		-0.20%	1.25%	4.25%	2.50%	2.25%	2.50%

While we saw business confidence and conditions continue to rise in our March Quarter Survey of Business Expectations, we also saw the continuation of a two-speed economy. There is still no light at the end of the tunnel for businesses that operate within the international education, events, and tourism sectors. For many the risk of snap domestic border closures and continuing international closures still nags at the back of their minds. For the 21 per cent of businesses that don't expect their revenues to be above 70 per cent of their pre-COVID levels by the end of the June quarter there is still a long way off and no guarantee of support.

With South Australia's unemployment rate for May 2021 coming in again as Australia's highest, there is still a lot to be done to stimulate the economy. While there may be more people employed in South Australia than ever before, we still have issues with underemployment and participation.

Moreover, there are many risks to the South Australian economy that lay in the path ahead. While China trade tension have been damaging for industries such as barley and wine we have seen exporters rise to the occasion and move to different markets. However, there is still some risk with the possibility of further tariffs and trade barriers on other South Australian exports.

Additionally, while we await the completion of the vaccine rollout the risk of snap lockdowns is a continuing threat to continual recovery. On the other hand, we must also consider the recovery internationally and its impacts of continual outbreaks on Australian exports.





## Fiscal Overview

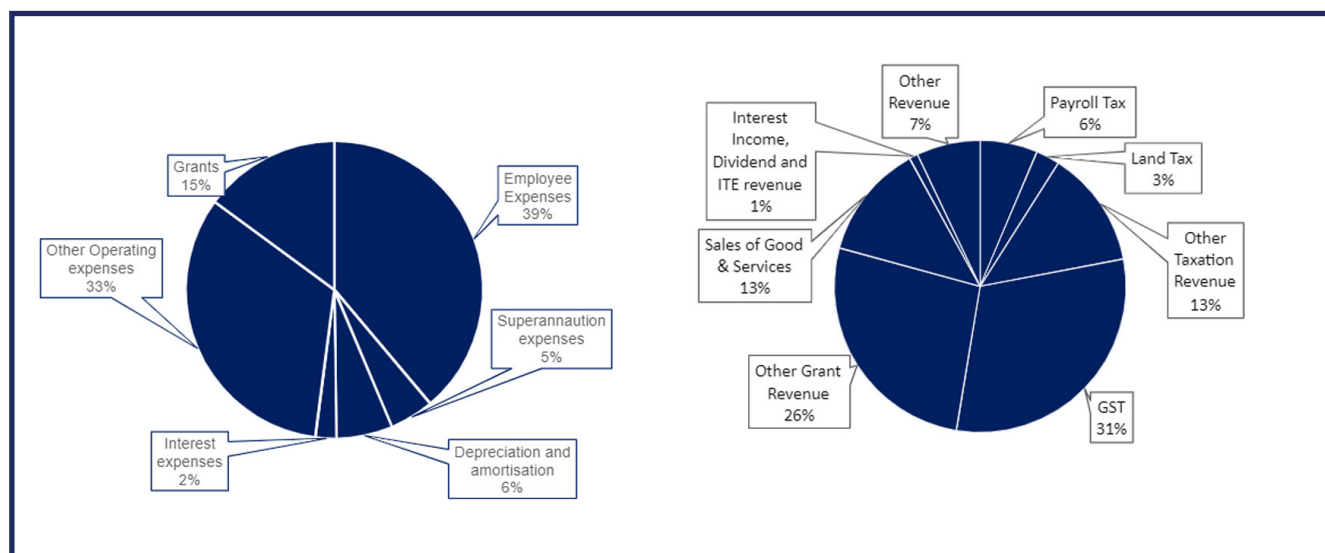
Overall, the Government's fiscal position has also improved significantly since the November budget. With forecasted deficits decreasing from a dramatically improved economic position and some unexpected windfalls from the Federal Budget. Subsequently, budget repair is expected to occur a year earlier in 2022/23, with a modest \$48m surplus and larger surplus' forecasted post.

Budget Release	Actual Budget (cash) balance \$ b		Forecast Budget (cash) balance \$ b				
	18/19	19/20	20/21	21/22	22/23	23/24	23/24
Mid-Year Budget Review 19/20 (Dec 19)	289	91	68	<b>176</b>	104	-	-
Budget 20/21 (Nov 20)	-	-1,485	-2,590	<b>-1,423</b>	-435	406	-
Budget 21/22 (Jun 21)	-	-	<b>-1,782</b>	<b>-1,397</b>	<b>48</b>	<b>498</b>	<b>379</b>

Government revenues have seen a significant increase since the last budget, with revenues for 2020/21 seeing a \$1.4b increase. In particular, it was the better-than-expected recovery in consumption that has seen GST increasing significantly. With almost a third of revenue coming from GST alone the impact that changes in GST can have on the budget bottom line.

Budget Release	Actual \$ m	Estimated (Budget 20/21)	Estimates \$ m (Budget 21/22)				
	19/20	20/21	20/21	21/22	22/23	23/24	24/25
Revenue	20,332	19,567	20,968	21,915	22,834	24,015	24,701
Expenses	21,817	21,817	22,750	<b>23,312</b>	22,787	23,518	24,322

Government expenses have also increased significantly as it continues to provide stimulus to the economy through infrastructure projects and initiatives. For 2020/21 expenses are expected to increase by \$500m from what was estimated in the November budget. Moreover, employee expenses have also seen an increase of \$24m from the 2020/21 budget, primarily from the increased staffing needed in health and policing due to COVID.



## Net Debt

Net Debt has also seen a slight downgrade from the budget estimates in November with Net Debt expected to blow out to almost \$25b in 2024/25, just over 18 per cent of GSP. When we compare the 2019/20 Mid-Year Budget Review to now, we can see that COVID has increased net debt in 2022/23 by almost \$7.2b

Budget Year	Actual net debt \$m		Estimated Net Debt \$ m				
	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Mid-Year Budget Review 19/20 (Dec 19)	6,068	9,468	10,752	12,278	13,208	-	-
Budget 20/21 (Nov 20)	-	10,537	15,270	19,366	22,043	24,489	-
State Budget 20/21 (Jun 21)	-	-	14,371	18,168	20,423	22,851	24,923
Net Debt/Gross State Product	-	9.5%	12.6%	15.1%	16.3%	17.5%	18.3%

## Interest Costs

Unlike the State Bank collapse in 1993, interest rates continue to be at their lowest levels ever. However, from the last budget we have seen a slight increase to the cost of servicing the current debt caused partly by the increase in longer term debt levels and depreciation as projects are completed.

Budget Year	Actual Interest Expenses \$ m		Estimated Interest Expenses \$ m				
	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Mid-Year Budget Review 19/20 (Dec 19)	361	475	486	539	628	-	-
Budget 20/21 (Nov 20)	-	464	473	548	614	679	-
Budget 21/22 (Jun 21)	-	-	459	528	645	768	984

## Interstate Comparison

When we compare South Australia's budget position with other 2021/22 budgets already released it is apparent how well the government has managed the pandemic. In particular, the budget position is in a significantly better position than both NSW and Victoria and on par with Queensland. Moreover, when we talk about net debt South Australia has done significantly better than Victoria, however, we still lag behind NSW and Queensland with Net Debt to GSP 15.8 per cent compared to 9.7 and 6.4 per cent. However, when we consider pre-COVID debt levels we are still doing very well.

While the Government has done well to manage the outbreak the economic recovery or stimulus has been less apparent compared to our interstate counterparts with South Australia expecting the slowest growth.

Interstate Budget Comparisons 2021/22	SA	NSW	VIC	QLD
<b>2021/22 Revenue Forecast (\$m)</b>	<b>23,312</b>	<b>93,846</b>	<b>74,576</b>	<b>63,664</b>
Budget Position	-1,397	-8,604	-12,094	<b>-3,485</b>
Current Net Debt (\$m)	18,168	63,258	102,100	<b>24,750</b>
Current Net Debt/Revenue	77.9%	67.4%	136.9%	<b>38.9%</b>
GSP Growth	2.25%	3.25%	6.50%	<b>2.75%</b>
Current Gross State Product (\$m)	114,649	650,072	478,949	<b>385,660</b>
Current Net Debt/Gross State Product	15.8%	9.7%	21.3%	<b>6.4%</b>

## GST Overview

The real saving grace of this budget was the increase in GST grant payments for 2020/21, which saw an almost \$1b injection into the budget. GST payments are expected to increase over the forward estimates and surpass the level of payments received pre-COVID. However, while we are seeing an increase in GST payments over the forward estimates our actual share of the national pool starts to decrease. This on account of strong growth in property sales and taxable private payrolls which are all considered in the horizontal fiscal equalization conducted by the Commonwealth Grants Commission.

Budget Year	Actual Commonwealth payments to South Australia \$ m		Budget 20/21 \$ m	Forecast Commonwealth payments to South Australia \$ m				
	18/19	19/20	20/21	20/21	21/22	22/23	23/24	24/25
GST Payments	6,715	6,095	5,606	<b>6,533</b>	6,771	7,180	7,691	7,910
Total Commonwealth Payments	11,764	11,161	10,652	<b>11,560</b>	12,42.4	13,223	14,065	14,191



# **Key Budget Measures for Business**



# Construction, Mining and Manufacturing

The state budget infrastructure spend supports the construction industry, providing a strong pipeline of future work and employment.

Major commitments to infrastructure include:

- The Riverbank Arena, a \$700m project due to start in 2023 and expected to create over 7000 jobs during construction.
- The North-South Corridor River Torrens to Darlington total project cost is now expected to be around \$9.9b although the reference designs are yet to be finalised. The project has commenced and expected to be completed by 2030.
- The new Women's and Children's Hospital costing assumptions and estimates are yet to be reviewed by Infrastructure South Australia, however, the final project costs are currently expected to be around \$1.95 billion.
- Although funded by the 2020-21 budget it will be good to see the Aboriginal Art and Cultures Centre completed as it was supported by Business SA in our 2018 Charter.
- Additional funding for the Strzelecki Track upgrade - \$215m
- Stages 2 and 3 of the Augusta Highway duplication - \$180m
- \$84.4 million to construct a new 1200 place year 7-12 high school on the Norwood Morialta High School Rostrevor campus



Additional construction infrastructure includes: 3.1m in 2021-22 to undertake internal refurbishment works at the Adelaide Festival Centre, including providing new seating and refurbishment of dressing rooms.

Non-government schools will receive additional capital grants to deliver projects while supporting trades and local businesses within agreed guidelines to \$23.7 million in 2021-22.

Urgent capital works at both metro and regional government schools and preschools; and Nineteen metropolitan railway stations will be refurbished over ten years funded by \$99 and \$48.5 million has been provided to construct a new multi-storey car park at Tea Tree Plaza for park 'n' ride services.

Renewal SA will be funded \$20.8 million to continue to upgrade existing buildings at Lot Fourteen to enable the expansion of space, digital, hi-tech and cyber companies in a collaborative setting.

Additional construction related infrastructure spend other new road initiatives include: further works on the Heyden Tunnels; improvements for key Kangaroo Island road corridors; the upgrade of the Marion Road and Sir Donald Bradman Drive intersection; the upgrade of the Nottage Terrace and North East Road intersection; refurbishment of the old Murray Bridge; additional support for the Port Wakefield Overpass project; extension of the road safety package; APY lands road upgrade in 2022-23; and additional funding for the construction of the Truro bypass.

The downside to a booming construction industry is the lack of materials and the budget does not mention assistance to the industry to resolve and plan for solutions to this issue, be it timber from Kangaroo Island or steel shortages due to a lack of timber and future shortages.

There have also been a number of measures announced for the mining sector these include:

- \$8m for Arkani Ngura National Test Mine and Innovation Centre at OZ Minerals Prominent Hill site in the State's north. This will explore underground hydrogen storage and underground testing of prototype mining and defence equipment.
- \$1.1m commitment for a state-of-the-art spectral geoscience instrument for the State Drill Core Library.
- \$2.2m over the next four years to expand the free confidential and independent Landowner Information Service.

Funding to support the growth of manufacturing in South Australia is not visible in the 2021-22 budget and the State government is encouraged to keep its foot on the accelerator in this area.

# Infrastructure, Trade & Tax

In addition to the construction related infrastructure spend the budget also includes:

- 1 million in 2021-22 to complete a detailed business case and \$5 million in 2024-25 to support the acquisition of suitable land and for early works to commence delivery of a new Barossa Hospital to meet significant population growth projected to occur within the region
- \$2 million in 2021-22 to enable eligible multicultural organisations to purchase new equipment, build new community facilities and upgrade community infrastructure;
- \$2m towards the establishment of the Waite Plant-Based Food Incubator Laboratory;
- funding from the Contemporary digital student learning systems and support services funding to deliver improved technology across regional infrastructure to enable campuses to be contemporary, digitally enabled 'student learning hubs';
- \$15 million over three years from the Commonwealth Government towards the National Partnership on Recycling Infrastructure program;
- expansion of school and regional bus services;
- and green public transport.

Business SA is pleased to note the planning commencement of the new Barossa Hospital but encourages the State Government to look more deeply at specific regional infrastructure spend, in addition to roads.

Wine export recovery and expansion funded from the Jobs and Economic Growth Fund.

This initiative provides \$5.4 million over four years to 2024-25 to support South Australian wine industry export growth and diversification in priority markets including the United States of America, United Kingdom, Japan, Korea, Hong Kong, Singapore, Malaysia, United Arab Emirates, Thailand, Vietnam and Europe.

Moreover the Government has announced funding to establish a European focused trade and investment office in Paris. Expected to cost \$1.8m over the next four years the office would be well placed to take advantage of the potential opportunities following the negotiations of a European free trade deal.

While there were not any direct tax changes announced in the budget we did see a number of incentives using payroll and land tax. These included payroll tax exemptions for apprentices and trainees as well as land tax exemptions for new build rentals.





# Education & Skills

As previously announced the State Government has extended payroll tax deductions for employers who take on new trainees and apprentices. This is a big win for skills and for businesses across South Australia further solidifying our future industries with skilled workers. This funding comes from the COVID 19 Support fund and includes the unused portion set aside from the 2020-21 year.

In our pre budget submission Business SA also called for support for an estimated 19,000 small businesses and not-for-profits, those businesses with a payroll of less than \$1.5m, and therefore not entitled to this payroll tax exemption. This is a lost opportunity to grow these businesses and we are disappointed that this was not addressed.

The existing JobTrainer Fund National Partnership Agreement with the Commonwealth has been extended until June 2022. JobTrainer funds training places, supporting skills for in-demand jobs and creating training pathways to employment. The budget provides for an additional \$34.5 million matching the Commonwealth Government's investment, bringing total additional funding for skills and training to \$69m over two years. This is less than last year's budget which provided up to 15,000 places and is sourced from the COVID-19 Support Fund. Funding training places will assist businesses in those sectors that desperately lack relevant skills and encourage them to train rather than search beyond SA.

The budget provides TAFE SA with \$215.5 over 4 years to ensure it maintains its' role as a contemporary training provider. This includes additional resources offsetting forecasted lower revenue growth. The increased funding provides for ongoing system and process improvements to deliver improved technology across regional infrastructure to enable campuses to be contemporary, digitally enabled 'student learning hubs'. To enhance the student experience, the program will also support digitisation of education and training delivery and student support to improve access and choice for all South Australian students. This initiative is expected to deliver savings over the next four years.



# Arts, Tourism & Events

The budget provides an additional \$500 000 of grants from the COVID-19 Support Fund, on top of the \$300 000 provided in the 2020-221 budget, to support the activation of the Adelaide precinct by supporting events and activities that encourage people to return to work in the city or to visit and spend time in the city.

Following unprecedented losses as a resu of the ongoing cancellation of major events in South Australia, the 2021/22 State Budget clearly demonstrates conservative spending on low-risk Arts, Events and Tourism activities.

Modest contributions in the 21/22 FY focus on initiatives that bypass large crowds, do not require international performers and would stand the test of future restrictions and lockdowns.

South Australia's commitment to a growing local film industry received the most notable boost with a total staged investment of \$22.8m over 5 years to the Post-Production, Digital and Visual Effects Rebate scheme.

Importantly, the \$4m extension of the Great State Voucher Scheme is a welcome initiative, called for in Business SA's pre-Budget submission. Although the intent of the scheme supports the broader tourism industry, the Adelaide CBD has suffered the lion's share of hardship through the loss of international tourism. The \$500,000 in grants to activate the Adelaide precinct compliments the Great State Vouchers by supporting events and activities that return patronage to the CBD.

The COVID – 19 risk to major events remains incomparably high, all available funding from the former Adelaide 500 has been reallocated to the Leisure Events Bid Fund, totalling \$90m over 4 years.

Unfortunately, Business SA's calls for a COVID de-risk fund were not considered in this budget, leaving South Australian event organisers in the disappointing position of deeming significant investment too high risk due to the possibility of cancellation.





# Energy & Environment

This initiative for Green public transport, retrofitting hybrid energy systems to diesel trains provides \$10.0 million over two years to retrofit energy storage and recovery systems to diesel rail cars to reduce fuel consumption and improve performance. The hybrid conversions will reduce noise and vibrations, and reduce diesel fumes in the environment. The initial capital investment will be offset by operational savings of \$1.3 million per annum over the remaining service life of the fleet through better fuel efficiency. 58 2021-22 Budget Measure

Business SA welcomes the National Partnership on Recycling Infrastructure – a joint Commonwealth measure – including a paper and cardboard beneficiation plant.

A range of other environmental funding was included in this budget, including:

- Open Space Grants: \$14.7m
- Metropolitan Drainage Maintenance Fund: \$3.8m
- Greener Neighbourhoods Programs: \$5.5m over 4 years
- Growth and Low Carbon Resourcing Requirements: \$2.1m over 2 years (20/21 and 21/22)

A further \$10m over 2 years was announced to retrofit hybrid energy systems to diesel trains. A step in the right direction that promises to reduce fuel consumption, improve performance, reduce noise and vibration, and cut down on diesel fumes in the environment.

As already announced funding of \$65m has been allocated to support early works for delivery of a new South Australia-New South Wales high-voltage interconnector providing South Australia cheaper and more reliable energy, and increase opportunities to export renewable energy into the National Energy Market.





# Public Sector

The Government has freely admitted that there are no new savings in this Budget. But as we've acknowledged already, the State will return to surplus sooner than expected through limiting spending.

Whilst not directly related to business, but a cost-saving measure, the Government has sought to 'rejuvenate' the public service workforce by offering \$50,000 to long-term public servants to free up positions for new graduates and trainees. The savings from this approach, which runs until 31 December 2021, will be incorporated with those made via the more traditional Targeted Voluntary Separation Package approach.

As at 30 June	Actual Public Sector		Forecasted Public Sector FTE (000)				
Budget Year	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Budget 20/21 (Nov 20)	85,579	85,698	86,026	<b>85,492</b>	86,092	85,811	-
Budget 21/22 (Jun 21)	-	85,968	86,133	<b>86,095</b>	86,176	85,901	86,264
Employed Full Time (ABS)	552,200	531,300	"561,900 (May)"	-	-	-	-
% Public Sector FTE of SA full time employment	15.5%	16.2%	15.3%	-	-	-	-



# Regions

The Budget continues to recognise the importance of Regional South Australia with a spend of \$875.7m in new measures over the next four years.

The allocation of \$6m over 5 years to plan, purchase land and commence works for the development of the new hospital in the Barossa is a perfect example of this infrastructure spend. The intention is to support the Barossa Hills Fleurieu Local Health Network deliver a consolidated and purpose-built health care facility in the Barossa to meet significant population growth projected to occur within the region. The new Barossa Hospital will provide high quality care in a consolidated service and reduce operational costs of service duplication through consolidating and decommissioning existing ageing facilities at Angaston and Tanunda.

However, the State government is encouraged to focus on making the changes required to attract skilled workers and businesses to Regional SA, as well as SA generally, from within SA, interstate and overseas, to fill the jobs and help build the regions.

Other regional infrastructure spending includes continued spending on regional roads; additional ambulance staffing; improvement to state run aged care establishments; improvement to CFS and SES capacity; business advice and support to rural businesses; improvement to regional bus services; upgrades to schools and kindergartens; and improvement to country hospitals.

Of the \$106.9m in grants approved for 58 local councils who applied for funding under the Local Government Infrastructure Partnership Program, \$57m has been provided to 40 regional councils supporting projects with a total value of around \$145m. The projects include anything from roads and playgrounds to stormwater, sport and event centres.

\$16m has been provided for fruit fly response activities following outbreaks in metropolitan Adelaide and the Riverland. This is part of a total of \$34.5m from 2020/21 to 2022/23, including \$1.2m over 3 years to meet South Australia's commitment towards national eradication responses.

The Mobilisation of Seasonal and Regional Workforce commitment continues, with no new funding. It was introduced in the 2020/21 budget providing \$8.3m over two years.





**What's  
Missing?**

## Support for COVID-19 Affected Businesses

As expected, the State Budget provides funding for programs that go directly to managing the public health response to COVID-19 pandemic, including \$86.1m over two years for the vaccine rollout, \$47.3m for SAPOL's ongoing involvement, and \$149.2m over 2 years for medi-hotel quarantine and isolation measures. Of course Business SA supports these measures, understanding that the sooner the pandemic is brought under control, the sooner international borders can re-open and business confidence will rise. Business SA is disappointed, however, with regard to the lack of new money being committed to supporting the 21 per cent of businesses still struggling from the impact of the pandemic, including the events and live performance sector. The existing Business and Jobs Support Fund and Community and Jobs Support Fund have been rolled together and rebranded as the new COVID-19 Support Fund – with a balance of \$18.2m left over from last budget. Given the name change, it is unclear whether this funding has already been allocated.

Among other measures, Business SA will continue to ask the Government to introduce an Events and Live Performance COVID-19 De-risk Fund to insure organisers against future snap lockdowns.

## Upskilling Small Business

Unfortunately, the Budget lacks easily accessible, tailored support programs for hard working business owners who have borne the brunt of seismic uncertainty over the last 15 months. Business SA encourages the State Government to support existing South Australian businesses owners to develop and grow their businesses to address unemployment and under employment across many industries.

The Jobs and Economic Growth Fund (replacing the Economic and Business Growth Fund) investment of \$200 million over the next four years should include an allocation to support business owners.

The Fund will focus on supporting initiatives that create long-term sustainable jobs and economic growth and does include funding for the UniSA Australian Centre for Business to provide continued support for outreach activities included in the centre's Growing South Australian Companies program. The fund also allocates funds to the Small Business Capability program in the tune of \$550,000 from 2021-22 to improve small business resilience through building capabilities for growth. The program will support small businesses to develop digital and cyber security capabilities, as well as other traditional key business capabilities to enter the national trade market.

Business SA is advocating for tailored support programs that support and enable the growth of SMEs across South Australia. These programs could include strategic planning, supply chain management, financial literacy, digital innovation, export education ... the list goes on.

SMEs are the State's largest employer, collectively holding the keys to South Australia's most substantive growth opportunities. With over fifty thousand SMEs employing people across the State, upskilling business owners could lead to real employment growth.



## Sustainability and the Circular Economy

Celebrating South Australia's point of difference as the nation's leader in renewable energy generation and using it as leverage it for economic good was a missed opportunity in this Budget. Business SA recommended in its Pre-Budget Submission to Government that a Circular Economy Procurement Fund be established to drive the development of markets for high value-added recycled products in South Australia. State Government backing for all sectors of the business community to develop our State's circular economy was seemingly forgotten.

A further area that fell flat in this Budget was the obvious lack of support for the burgeoning hydrogen energy solution. As outline above, South Australia is well placed to be very competitive in this space – at the global level. Business SA was surprised to see no mention of innovative approaches to energy – despite other states taking this path recently. For example, with the rise of electric vehicles hitting the market (and similar offers for hydrogen soon to be more available)

Business SA was disappointed that no registration incentives or stamp duty waivers were considered to encourage road users, including public transport, to take a more environmentally friendly approach and will continue to advocate for further initiatives in the low emissions

While South Australia is doing a good job of arresting the growth of waste to landfill, has introduced legislation to curb the use of single use plastics and has one of the highest levels of solar PV and battery storage adoption in the world today, complacency is the enemy of leadership.

Given South Australia's global renewable energy leadership, Business SA encourages the State Government to better articulate a strategy to leverage economic growth in the burgeoning low emissions and circular economy sectors. To date, this has proved elusive and a missed opportunity.

In a recent submission to the State Government, Business SA presented 13 requests for consideration in the State Budget, including a call for the introduction of a \$50m Circular Economy Procurement Fund, driving the development of markets for high value-added recycled products across South Australia.

The subsequent announcement of \$22m over four years for a national partnership on recycling infrastructure is obviously welcomed, as Business SA will support any measure that improves our State's capabilities when it comes to the recycling of waste products. However, does it go far enough? The estimated \$5.7m per year fund will invest in new technologies and equipment that reprocesses mixed plastics and improves the recovery and separation of soft plastics and increases glass re-manufacturing.

Realistically, this is slim pickings that could have formed part of a much larger plan in driving us towards a circular economy and develop new opportunities for manufacturers.

Although Business SA believes that any push towards sustainability in business will inevitably lead us towards a more circular economy in the longer term, we advocated for considerably greater direct measures than provided, as well as other initiatives that incentivise South Australians to increase their uptake of green technologies, particularly when it comes to the purchase of hydrogen and electric vehicles.

The 2021/22 State Budget failed to acknowledge the emergence of hydrogen technology in any meaningful way. A quick 'word search' of the word 'hydrogen' in the State

Budget Overview document shows zero results. Another missed opportunity in this budget.

As recently as 17 September 2020 when the State Government released their Climate Change Challenges and Opportunities report, it was noted that the transport sector is the largest and a growing source of emissions, acknowledging that both hydrogen fuel cell and battery electric vehicles are likely to have roles in future transport. Obviously that future is further away than we thought it might be.

Other jurisdictions have identified the opportunity as the Australian Capital Territory in their pledge to lead the electric vehicle revolution in Australia and take leading action on climate change, have committed to financial incentives for the purchase of Zero Emissions Vehicles.

Through announcements in the 2020/21 ACT budget, that Government incentivises the use of Zero Emission Vehicles (ZEVs) for consumers and businesses, offering stamp duty exemptions and two years' free registration for owners of new or used ZEVs. They also further committed to the construction of publicly accessible charging stations and the establishment of a fleet advisory service supporting Canberra based businesses and community organisations to transition their fleets to ZEVs.

While we acknowledge that a territory the size of the ACT does not even begin to compare with the vast land mass of South Australia, we find it unfortunate that a jurisdiction with a quarter of the population of our own is making more ground than South Australia.

Business SA will continue to advocate to all levels of Government to further support South Australia's movement towards a lower emissions and circular economy, attracting more investment and delivering more jobs. However, like many things in business, it all starts with a clear strategy to realise the economic benefits.



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