

There will be devastating impacts upon South Australia from the closure of the automotive industry (which coincides more or less with the winding down of the Air Warfare Destroyer build program), and of the increasingly likely decision to abandon the promise of Australian engineered and manufactured Future Submarines at Osborne in favour of imported vessels. The response required to such a challenge is to work with urgency to diversify the economy.

Health

South Australia is directly impacted by proposed reductions in Australian government funding of hospitals via the National Health Reform Agreement and health-related National Partnership Agreements to the tune of \$655 million in the four years from 2014-15 to 2017-18.

Although not impacting directly on revenue received, proposed changes to a range of public health, general and specialist medical services, pharmaceuticals, diagnostic and pathology services, aged care and social services also contribute significantly to the costs borne by the South Australian hospital system. Combined, these measures are expected to discourage access to basic primary health care services leading to worsening health conditions in the short-term and a rise in avoidable chronic conditions over the longer term.

Any co-payment imposed on people in financial stress will impact on their decision making about accessing primary health care.

Schools

Needs-based schools funding under the Gonski Better Schools Plan has been renounced and replaced with CPI indexing after 2017 (noting it was the post-2017 period that was to have seen the major expenditures in reducing disparities in school student funding). In South Australia, the funding reduction amounts to \$335 million across the two years (assuming a CPI of 2.5%).

This will have direct impacts on the capacity of schools to provide appropriate specialist assistance to the substantial number of students who would benefit from more intensive support to improve outcomes in line with the objectives of the Gonski reforms. At a State level this is expected to lead to inferior schooling outcomes than would have otherwise been the case.

Moreover, these changes pose particular problems for South Australia which has a higher-than-national average proportion of disadvantaged and vulnerable students.

Vocational Education and Training

Federal Budget measures affecting vocational education and training funding and program offerings take place in a context where South Australia is experiencing stubbornly high unemployment and the prospect of significant adjustment pressures arising from the closure of the automotive industry over the next few years. The Budget measures include the cessation of 10 skills and training programs with a total expected saving to the Commonwealth of \$1 billion over five years from 2013-14.

This includes cessation of the Tools for the Trade Program, National Workforce Development Program and the Workplace English Language and Literacy Program (WELL). Along with reduced funding for training, the Commonwealth also substantially reduced employer incentives including wage subsidies.

Higher education

Estimates of the increase in average student loan amount due to funding changes range from a low of \$30,000 to a high of \$200,000.

Proposed budget measures include reductions in per student funding accompanied by fee deregulation, leading to increased course fees to make up the institutions' shortfalls. These are combined with changes to the costs of HECS/HELP borrowings (rate of interest charged, and lowering of income levels at which repayments are triggered), which will further lift the cost of undertaking a course.

Currently, the amount of funding for higher education courses is determined by the Commonwealth, with the cost divided between the government and student. Under the proposed changes the additional cost to an individual student could be as high as 59% for social sciences and communications. In addition, plans to change CPI indexation to the 10-year bond yields (capped 6%) impose a real interest rate which will compound over time.

Housing

The cancellation of Round 5 of the National Rental Affordability Scheme (NRAS) will have significant social and economic impacts. Based on seven jobs per NRAS incentive, Round 5 would have generated around 2,800 direct and indirect jobs, providing a much needed boost to the South Australian property and construction sectors over the next few years.

In addition, the absence of NRAS will have a dampening impact on industry and employment growth in the property and construction industries with flow-on impacts to the household goods and services sector.

The Federal Budget will have a number of detrimental impacts for both residents and the public housing system in South Australia. The latter is expected to face losses of around \$131 million over ten years due to Budget changes to income. The spectre of increased homelessness was a major concern for all stakeholders as demand for public housing already far outweighs supply.

Roads

South Australian roads funding will be affected by the 'pausing' of indexation funding under the roads Financial Assistive Grants (FAGs); and by removal of the Local Roads Supplementary Funding Program, which addressed a clear inequity in payments to South Australian local governments compared to those in other states. **The combined impact of these reductions is \$132.6 million to 2017-18.**