

## HOUSE OF ASSEMBLY

Friday 23 September 1988

## ESTIMATES COMMITTEE A

**Chairman:**

Mr D.M. Ferguson

**Members:**

Mr S.J. Baker  
 The Hon. E.R. Goldsworthy  
 Mr T.R. Groom  
 Mr I.P. Lewis  
 Mr M.D. Rann  
 Mr P.B. Tyler

*The Committee met at 9.30 a.m.*

State Development and Technology, \$20 914 000

**Witness:**

The Hon. L.M.F. Arnold, Minister of State Development and Technology.

**Departmental Advisers:**

Mr R.E. Hartley, Director, Department of State Development and Technology.

Mr D.M. Mitchell, Director, Finance and Planning.

Mr J. Frogley, Director, Assistance and Industry Development.

Mr Graham Haddow, Director, Industry.

**The CHAIRMAN:** I declare the proposed payments open for examination, and I refer members to pages 68 and 69 in the Estimates of Payments and to pages 174 to 182 in the Program Estimates.

**The Hon. E.R. GOLDSWORTHY:** Page 175 of the Program Estimates refers to the trade promotion activities of the department. I visited our South Australian agent in Hong Kong on a trade visit this year, and I understand that the very successful promotion that was held in Hong Kong last year is not to be repeated this year. What is the thinking behind that?

**The Hon. L.M.F. Arnold:** The promotion that was held last year was a technology exhibition. It was the third in a cycle of three that had been planned some years ago. The honourable member is quite correct—it was very successful. It is difficult to get firm estimates of how much business has been generated by the firms that took part, but it is estimated that in the first year that the exhibition was held the 12 or so firms involved generated half a million dollars worth of business for themselves. In the second year they generated \$1.5 million worth of business for themselves, while in the third year they generated well in excess of \$2 million worth of business, and some speculative estimates have put that figure at many millions of dollars more than that, depending on the outcome of negotiations.

It was felt that we would not conduct a fourth exhibition this year; we had originally planned for three, and we will look at other activities within the resource base of the department. For example, in November this year a visit to Hong Kong will be undertaken—which I will be going on—with particular emphasis on business migration. There will be a couple of business migration seminars, and I will also be having meetings concerning investment matters. It is

always a case of the department having to weigh up its relative priorities with the resources that it has available. In October this year, a major trade and investment mission, organised by the Department of State Development and Technology and led by the Premier, will go to Sweden and to the Federal Republic of Germany. That will be a major call on our capacity this year. Likewise, early next year I will lead a trade mission to Thailand, and there is also the strong possibility of a further mission being led by the Government to East Asia. We felt that we would pass on the further technology exhibition in Hong Kong this year but consider it again in 1989.

**The Hon. E.R. GOLDSWORTHY:** What areas of South Australian business, industry or commerce do we hope to encourage, foster or sell in Sweden as a result of the Premier's visit, given the decision to use the money that was spent last year in Hong Kong on the Premier's visit?

**The Hon. L.M.F. Arnold:** The mission to Sweden, which the Premier is leading, is a trade and investment mission which will have the following objectives: to seek direct exports of South Australian products; to explore and develop opportunities for industrial cooperation, including joint ventures, licensing, direct investment and research exchanges; and to promote South Australia as an Australian base for manufacturers and services for import replacement and for export, particularly to South-East Asia. In that context, 20 South Australian companies will accompany the Premier on that trade mission, and the Premier will conduct a series of seminars in cities such as Munich, Stockholm and Malmö.

In addition, appointments are being made in the United Kingdom as well as other appointments in Sweden and Germany. It is not entirely a question of the dollar cost: the human resources commitment of such a major mission is another reason we are not extending into a further mission to Hong Kong this year. Honourable members should also remember the other activities we were involved in earlier this year, including trips to Japan and Korea and a mission I took to Thailand and Korea.

**The Hon. E.R. GOLDSWORTHY:** What was the result of those missions?

**The Hon. L.M.F. Arnold:** The mission to Thailand and Korea resulted in a number of outcomes. The mission that I had to Thailand was the first official visit since the signing of the representation agreement between the South Australian Government and the Thai company Lokleys Bangkok Limited. It was to formalise that agreement and to undertake further planning for the bigger trade mission that I will be leading to Thailand early next year.

In the context of that visit I had important meetings with Government and industry officials to discuss such things as industry import requirements in Thailand, including the automotive industry, agribusiness, technology requirements and other trade matters. As a result, South Australia has been visited by an advance group from Lokleys Bangkok who are to lead a bigger group of people interested in software exports. A formal agreement has been signed by the South Australian Software Export Centre (which is a joint Government/private sector initiative) and Lokleys for the marketing in Thailand of computer software generated in South Australia.

Secondly, Dr Arja, a major businessman from a large Thai firm, will visit South Australia to inspect irrigation technologies in this State, and other meetings will be organised for him. We are doing further work on planning the business mission next year. Our visit to Thailand this year helped frame the priorities and the types of firms that we should invite. The visit to Korea resulted in a number of outcomes. First, Korea is interested in business migration.

In fact, it is possibly the only Government in the world that actively promotes business migration out of its own country.

It does so for three reasons: first, as part of population control methods; secondly, to build an international business network that has knowledge of Korea (and that is something all countries try to do); and, thirdly, to help acquit the enormous and growing trade surplus which is causing Korea difficulties in other parts of the world. Therefore, business migration is encouraged. Five Korean companies, one of which is Government owned, are promoting business migration. We have met with them, and they have all agreed to include South Australia on their itineraries when they bring missions to Australia and some will be doing so in the very near future. South Australia at this stage is seriously under-represented in the number of Korean business migrants choosing this State as compared to other States.

Further representatives of the Korean Mining Promotion Council will visit South Australia. The council is eager to examine other sources of minerals and wishes to inspect the possibilities in this State. More recently, partly as a result of my mission to Korea, the Sydney-based representatives of Korean firms visited this State to investigate further opportunities including such firms as Hyundai, Dae Woo, Lucky Gold Star and other leading Korean firms. That has resulted in further discussions in a number of areas, including such things as automotive components. In addition, discussions were held in both Thailand and Korea on education export services.

The Premier's visit to Japan was a priority visit with respect to investment, to encourage more investment awareness in South Australia building, of course, on the earlier missions both to and from Japan last year. The Premier also made an exploratory visit to the Republic of Korea. The details of that mission were canvassed somewhat earlier in the year on his return.

**The Hon. E.R. GOLDSWORTHY:** In which of the eight countries listed at page 180 of the Program Estimates—New Zealand, Thailand, Japan, the United Kingdom, South Korea, the Middle East, Sweden, and China—is there permanent South Australian representation as opposed to the presence of Commonwealth trade people, and what is the status of that representation? Is it full-time or part-time, or is South Australia represented by agents?

**The Hon. L.M.F. Arnold:** In New Zealand we operate through Austrade. In Thailand we are now represented by Lokley's, Bangkok, and that representation agreement has resulted in the appointment by Lokleys of a full-time Thai officer who works within that company to represent South Australian interests. Basically, we pay an amount equivalent to the salary of that person plus support costs, and any other material costs for distribution, but all other support costs are met by Lokleys. That person will be coming to South Australia soon, I believe, to be fully briefed on South Australian opportunities.

In Japan we have a commercial representation agreement through Elders and our officer, who is hosted by Elders, is Toyo Tanaka. He is working for South Australia generally, not only for the Department of State Development but also Tourism South Australia. He is assisted by Mr Ichinose, who is also hosted by Elders.

**The Hon. E.R. GOLDSWORTHY:** When you say 'hosted', do you mean paid?

**The Hon. L.M.F. Arnold:** Elders pay them and we pay Elders; it is a sort of licence agreement. The amount this year is \$120 000 which, in fact, would not be enough to

cover the salary costs of the two officers and associated costs given Japanese living costs.

**The Hon. E.R. GOLDSWORTHY:** Supplementary to that, we do not fully pay for those?

**The Hon. L.M.F. Arnold:** They also work for Tourism South Australia and are receiving moneys from there as well.

**The Hon. E.R. GOLDSWORTHY:** But we fund them totally?

**The Hon. L.M.F. Arnold:** For the portion of the work they are doing for us I guess we would fund them fully.

**The Hon. E.R. GOLDSWORTHY:** They do not work full-time for us?

**The Hon. L.M.F. Arnold:** They are also working for South Australia by working for Tourism South Australia as well, and they do some work for Elders.

**The Hon. E.R. GOLDSWORTHY:** They are in the Elders building; they do not work for Elders as such?

**The Hon. L.M.F. Arnold:** The Director is saying that they work for Elders.

**Mr Hartley:** We could divide the time of Tanaka and his colleague into three sections. A third of his time is spent on Elders work, which also relates directly to work he does for South Australia because it is foraging work (looking for investment opportunities); another third is spent on tourism; and the other third for the Department of State Development.

**The Hon. L.M.F. Arnold:** We are represented by the Agent-General in the United Kingdom, and he would come under the Premier's lines. An officer from the Department of State Development is in the Agent-General's office, and that whole office is commercially oriented. In South Korea we are not commercially represented; we work through Austrade. As that market is further examined we will consider whether or not we need alternative arrangements, but at this stage we believe that our present representation through Austrade is adequate. In the Middle East we have no direct representation, other than working through Austrade; and the same applies with Sweden.

In China we have a sister relationship with Shandong Province. This year that resulted in a trade mission to South Australia. That Shandong mission of 77 people from the Peoples Republic of China was the largest ever to come to this country and resulted in the signing of 48 letters of intent. That relationship involves an active role for a number of areas in the South Australian Government, but in particular for officers of the Department of State Development with the Ministry of Economic Relations and Trade in Shandong, with which we are in regular contact. So, direct representation is not believed to be necessary because that relationship is achieving requirements of both South Australian and Shandong firms.

Apart from that we have representation in Hong Kong in Angelina Tse who is hosted by the Standard Chartered Bank and we pay effectively the salary costs and some support costs, but the bulk of the support costs are paid by Standard Chartered. Mr Tay Joo Soon, who is the Managing Director and owner of Asiaco (an accounting firm in Singapore), is our representative under a licence arrangement which effectively would meet the time commitment of a support staff who works for him (previously Maureen Au-yeong, but a new officer has taken over) and some of Mr Tay Joo Soon's own time. Lastly, we have a trade office in Los Angeles, although it has now been announced that that will be closed from 31 January.

**The Hon. E.R. GOLDSWORTHY:** What about Penang and Malaysia?

**The Hon. L.M.F. Arnold:** In Penang we do not have any formal representation. There have been visits between Penang and South Australia over a number of years. More recently, the main contact with Penang has been through the export of education services and business migration. Mr Bob Brown and Tony Robinson in the Department of State Development have been to that area to promote business migration in Kuala Lumpur as well as Penang. Dr Fred Ebbert from the Office of Tertiary Education has been there to promote education services, and I will be calling in for a day in Penang on my return from Hong Kong, again with respect to education services and business migration.

We still have a company that is a joint venture between South Australia and Penang, but that is non-operational. A board meeting was held earlier this year at which the South Australian board member (Barry Orr, the Chief Executive Officer of Technology Park Adelaide Corporation) was present, and some consideration was given to what opportunities there might be for that company. No further information is available as to the outcome of such consideration.

**Mr TYLER:** How many projects were approved under the Regional Industry Development Program? How much assistance was involved and what impact did that have on employment and capital investment in regional areas?

**The Hon. L.M.F. Arnold:** There has been significant progress in this area. Following the budgetary decision with respect to the pay-roll tax rebate scheme for regional industries, as the honourable member mentioned, the scheme was changed and a green paper was issued in July 1987 to look at new policies for regional industry support. The essential elements of that paper were as follows: first, the encouragement of regional development committees to enable the development of regional data bases and strategies, coordination of support services, and to optimise the financial support available from the South Australian Development Fund to regional areas of South Australia. Secondly, there was to be a new targeted assistance program (the Regional Industries Development Payments Program) to replace progressively the old pay-roll tax rebate scheme. That rebate scheme has been phased out over a number of years (for most firms, over four years but, for some firms, as many as 10 years). The white paper that will come from that green paper is still being prepared and will shortly be publicly released but, in the interim, we have acted on some of the principles in the green paper so that we do not have a policy vacuum.

In the 1986-87 financial year \$6.2 million was effectively committed to the regions as a result of the pay-roll tax rebate scheme, but effectively that was a straight rebate and had no connection with job creation or job maintenance, so the total payments to the regions were \$6.2 million. No further money came from these Regional Industry Programs, although of course payments were made to organisations such as the Riverland Development Council. In 1987-88 the pay-roll tax rebate scheme saw only \$5.4 million going to pay-roll tax rebates, while the Rural Industry Development Payments Program has seen \$2.1 million being paid. So there was a total commitment to the regions of \$7.5 million compared to \$6.2 million in the previous year. Expenditure cannot be accurately predicted for 1988-89, because it will depend on the projects to be approved, but our existing commitments indicate that pay-roll tax rebates will be \$4.3 million and, therefore, less than they were in the previous two years. We estimate that the Rural Industry Development Payments Program and the Rural Industries Program will provide \$3.9 million, making a total of \$8.2 million.

Out of the approvals given (which are not always matched by payments, because sometimes approvals see payments lagging behind) in the year ended June 1988, \$2.6 million in assistance was granted. These projects resulted in job creation involving 617 people, job retention of a further 53 people, and capital expenditure of about \$25 million. Some of those projects have been very significant. There are a number of projects in Murray Bridge, including Gerard Industries, Southern Farmers, which is a cheese processing factory, and James Hardie Irrigation. In Mount Gambier there is Yasmar and Fletcher Jones. They are the big projects there, but they are certainly not the only ones. There are also a number of smaller projects.

**Mr TYLER:** What is the Government doing to address the problem of Government purchases passing over local manufacturers and producers in favour of large overseas companies?

**The Hon. L.M.F. Arnold:** A number of things have taken place in recent years. The first point that should be addressed is the re-examination some two years ago of the supply and tender legislation, and the restructuring of the Supply and Tender Board. That comes not under my ministerial control but under that of the Minister of Services and Supply. One of the principal purposes of the re-examination was to see that we gave maximum opportunity to South Australian industry so that tender specifications could be as open as possible. Complaints are often made that tender specifications are necessarily restrictive, favouring a particular product that is already on the marketplace internationally rather than, perhaps, a new South Australian product. The South Australian Parliament has dealt with that initiative.

The second initiative has been the interstate agreement to abolish preferences with respect to Government purchases. At first hand that may seem to be a disadvantage to South Australian industry but it means that the work of this State Government with Victoria, particularly, in promoting the abolition of preferences around the country will open up more effectively to South Australian firms Government purchasing markets in other States. It is better to access a market of 16 million people and their Government purchases rather than a market of just 1.5 million. All States have no opposition to New Zealand being incorporated in this preference agreement, and that is to be discussed further at the AITC meeting. Discussions have already taken place at officer level.

The third, very significant, area has been the Industrial Supplies Office, which is financed by the Government, hosted by the Engineering Employers Association and overseen by the Manufacturing Advisory Council, which is a tripartite body representing Government, employers and unions. That body has been enormously successful. Indeed, it has been one of the most successful of its kind in Australia. Its budget is increasing this year. Recently in the House I gave some examples of the number of contracts that the office has been able to steer towards South Australian business. The vote and actual expenditure for 1987-88 was \$291 000. This year that will increase to \$328 000.

That increase will provide a motor vehicle for an additional officer who was employed during 1987-88 to enable that officer to get out into the field; an overseas study tour allowance for the Director, because it is important that the Director can make contact with international purchasing agencies, such as United Nations agencies, that handle large contracts and can steer them towards South Australia; and a contribution towards a proposed national ISO coordinator and office to be established in Canberra. In the past 12 months, the ISO has been asked to assist directly in 144 inquiries comprising an approximate value of \$32 million.

Because of its efforts, approximately \$9.55 million worth of contracts have been let to Australian manufacturers, replacing imported products. In summary, since its inception the ISO has been responsible for the placement of some \$27 million worth of business to Australian companies. In addition, a further \$30 million worth of business is pending awaiting the purchaser's decision.

I will detail the office's proposed major initiatives for the coming year. It has received approval from me as Minister to purchase computer facilities, which will result in the development of a sophisticated South Australian data base of company capability compiled from the visits that have been made to over 2 000 companies in this State. The ISO will focus activities in the perceived growth areas of offsets opportunities, and contact has already been made with international companies with offsets obligations.

**Mr TYLER:** I refer the Minister to page 178 of the Program Estimates where I note that a specific target or objective is the completion of the manufacturing strategy for the State. What is the background to that strategy? When is it likely to be completed?

**The Hon. L.M.F. Arnold:** I will ask the Director to make some comments on this matter. It has had its genesis in two different areas, I guess. One is the economic development strategy for the State that has been in place now for three years, and, with it, the growing emphasis that the Government is placing on the manufacturing sector. More recently, manufacturing week that was held in 1987 and the visit to South Australia of the Australia Manufacturing Council and also the National Work Skill championships were all an occasion at which we hoped to be able to release a major manufacturing statement. Work was done at that stage but it was felt, if the statement was to have real meaning, a lot more work needed to be done. Otherwise, we could easily issue a document of simple statements without real substance, so we did not meet that target. A lot of work is still to be done. We have one officer fully dedicated to this work within State Development, supported by others. It has been done in conjunction with the Manufacturing Advisory Council.

**Mr Hartley:** I cannot add to the reasons behind the need for the manufacturing strategy except to say it is felt that, although the Government and the Department of State Development have a number of very active strategies in the area of manufacturing development at the moment, many of which appear to be coming to fruit all at the same time over the past few months, there is a series of documents and mechanisms and it would be useful if they were all brought together in one document that explained in simple terms the Government's broad approach.

Timetables are always subject to change, but the timetable working with the MAC, as the Minister has explained, is that there will be a draft for internal discussion within the Government and within MAC very early in November. It has not yet been discussed or decided when publication will occur, but my guess is it will be early next year.

**The Hon. E.R. GOLDSWORTHY:** At page 178 the Program Estimates state:

Developed and promoted management leveraged buy out as a means of strengthening local control of industry . . .

What is the liaison between the department and, say, SAFA, which now has considerable holdings in a number of South Australian businesses? Does the department put the thing together and go to SAFA and ask who will finance it? What is the arrangement?

**The Hon. L.M.F. Arnold:** The department has no capacity to instruct SAFA to make investment decisions. Therefore, it certainly does not even attempt to do so. What sometimes

happens is investment arrangements in South Australia do need various investment partners. SASFIT, the superannuation fund, has been involved in this area. The SGIC has also been involved but, in both cases, entirely commercial decisions are made within the ambit of their own boards. SAFA's main area of involvement is Government financing. The Department of State Development is more interested in assisting the private investment market with funds for these types of operations than in seeking other kinds of investment support.

**Mr Hartley:** SAFA is not seen by the department as a source of funds for most of the things we get involved in. The section of the department that seeks to help in this goal of strengthening corporate Adelaide is sort of a marriage broking department. It seeks to identify or respond to opportunities when they present themselves. We see our role as trying to form a marriage between investors and opportunities. So, if an electronics firm comes to us or we find them and they are in need of equity, we do not try to put Government money into that company if it needs equity. We do not see that as Government's role at all.

We seek to find other legitimate investors whose main role is as an investment operator. In the majority of cases it would be the private sector, but it could also be Government investment organisations whose main role is investment. In South Australia's case that would be SASFIT and SGIC. We might go to them, as we did in the case of the Fairy. With the need for equity and the need for a buyer we went to the private sector, to SGIC and to SASFIT. SASFIT already had strong interest in that area and happened to be first ones to move because it is in the business of investing and looking for investment opportunities. SAFA, by contrast, is a money-manager organisation predominantly. It would have to be quite unusual circumstances for us as a department to go to SAFA seeking money of any sort. If the Government sought to own something directly SAFA would be one of the sources of funds to which the Government would go.

**The Hon. L.M.F. Arnold:** As has been alluded to by the Director, SAFA has little if any direct investment in South Australia firms other than through Enterprise Investments. The vehicle used by the department for investment on occasions when it has some equity investment or convertible note investment is through South Australasia Pty Ltd—a Government holding vehicle. The honourable member may know that the IDC—the bipartisan parliamentary committee—when making recommendations on support under the SADF above \$50 000 has sometimes indicated that that support should not be entirely in the form of 99 year interest-free loans or other types of support. It has occasionally indicated that convertible notes or a small equity stake should be taken. That has resulted in some equity holdings by that holding company. On other occasions, again under the aegis of the South Australia Development Fund, some minor equity stake has been taken, more to improve the equity base of a company to assist it in finance raising than for any other purpose.

**Mr Hartley:** The Minister referred to the department's fund base. The only money the department has in terms of assistance or investment is the South Australian Development Fund. That has been going for a long time. If a company needs support to build a new factory or put in new equipment and it is going to result in new jobs, whether a South Australian company or an interstate one, the system has been going for a long time in South Australia where the Government, in certain circumstances, subject to strict controls and going through the bipartisan committee, will, through the SADF, provide relatively small sums of money,

and almost always insignificant in terms of the total size of the company concerned.

In the last year or two we have been trying to make the department's handling of these matters more commercial and to get a return to the Government so that where we provide State Government guarantees nowadays we will charge a commission or a guarantee fee in the range of 1 to 2 per cent so that some money is coming back in response to a service the Government has provided to the company. Another way of getting a commercial return is to say to the company that we will provide it with money under certain conditions to help it with the new development and create jobs, but that we want a small piece of the action. We want some return. It might be convertible notes which the Government might sell when it converts the notes, or it might end up with a small equity that would be usually in the realm of 1 to 5 per cent of the company. Therefore, it is not what we would call equity investment but a form of assistance turned into equity to try to make it more commercial, to get a return for the Government and to husband the funds we have available in the SADF.

**The Hon. E.R. GOLDSWORTHY:** What is the rationale in giving a company a small grant which, as the Director said, is insignificant in terms of the capital and resources of that company (for example, someone like Elders)?

**The Hon. L.M.F. Arnold:** When a major investment proposal is in the wind—say, with a major national or international company—alternative sites to South Australia are considered. Clearly, when a company considers alternative sites it seeks the best cost economics of establishing and running the company. South Australia provides clear pluses on running and establishment costs by virtue of cheaper industrial land prices, lower wage costs and a better industrial relations record. All of those factors are cost pluses with respect to the establishment of a company in this State.

In the package of financing a proposal, companies will also look at ways in which Governments are prepared to assist in terms of seeding money. It is in that area that we make SADF funds available. These funds are for minor amounts compared with some of the large sums that are available—not so much from other Australian Governments (although in some cases they are provided) but certainly by Governments in other parts of the world which offer huge handouts.

In general terms the maximum figure is 5 per cent of the capital and 7 per cent of the wage costs for the first two years, in each case it is performance based. That is relatively insignificant because it means that 92.5 per cent of the wage costs and 95 per cent of the capital costs are met by the firm. Nevertheless, it may be enough to swing the deal in South Australia's favour. That is where we give ourselves leverage with respect to money which may result in a deal for South Australia rather than another State. Essentially we build incentives to this State on our cheaper basic costs, such as industrial land, wage, and associated costs.

**The Hon. E.R. GOLDSWORTHY:** Can the Minister provide a list of companies that have been assisted in this way and the amounts they received?

**The Hon. L.M.F. Arnold:** Such a list could be made available on a confidential basis to the honourable member and any member of Parliament. Many of these grants are approved by the IDC and commercial confidentiality is guaranteed to those companies.

**The Hon. E.R. GOLDSWORTHY:** These are public funds, so I think that the public has a right to know where its money is going.

**The Hon. L.M.F. Arnold:** The total sums paid out are shown in the Estimates of Payments and the Auditor-Gen-

eral's Report. The Auditor-General and the IDC have access to the firms that receive assistance. Any member of Parliament would have confidential access to that information. I will need to check on the legality of contracts signed with companies over many years—including under the previous Government—to see whether or not there is some protection of commercial confidentiality in those legally binding contracts.

**Mr Hartley:** Often a company will come to us under the circumstances described by the Minister. In fact, a company mentioned by the Minister recently carried out an expansion program in an important regional centre. A small sum of \$150 000 precipitated a decision by the company to make a multi-million dollar investment. So, for a relatively small sum—insignificant in terms of the company's parent, which is a huge conglomerate with \$400 million or \$500 million capitalisation—the company decided to locate a particular process in South Australia in preference to New South Wales or Victoria. However, these companies nearly always require that the details are not made available and would strongly resist this information being made public.

**The Hon. E.R. GOLDSWORTHY:** That highlights the dilemma of responsible government. If this information was made available to me confidentially and I was not happy with it, there is nowhere I can go.

**The Hon. L.M.F. Arnold:** Payments over \$50 000 are the subject of scrutiny by the IDC before they come to me or to the Treasurer, so there is a bipartisan scrutiny. Of course, payments below \$50 000 do not go to the IDC. I believe that all company names are made available to the IDC—if that is not the case, it should be. The problem is that there is a large body of legal documents which have been signed over many years, so we would have to go back to each company for permission to make this information available.

I note that the Hon. Dean Brown, when Minister responsible for these areas, in 1982 listed in *Hansard* a large number of companies which had invested in South Australia, but he did not attach to the table any reference to which of those companies received Government assistance, even though we know that many of them received such assistance.

**The Hon. E.R. GOLDSWORTHY:** Past practice dictates a course which the Minister suggests would not allow disclosure. In my judgment, it is time that some agreement was reached nationally whereby companies which are prepared to put their hands out for development funds ought to be prepared to say publicly that they had accepted these funds.

**The Hon. L.M.F. Arnold:** I have a lot of sympathy with the honourable member's position, particularly with his statement that there should be national agreement on this. However, there would be a problem with respect to the erosion of our competitive position if we were the only State to fight this battle.

**The Hon. E.R. GOLDSWORTHY:** It is a weakness in the system.

**The Hon. L.M.F. Arnold:** It may be something that we should discuss at the next meeting of the Industry and Technology Council, but I take the honourable member's point.

**The Hon. E.R. GOLDSWORTHY:** Did the Department of State Development and Technology play any role in the development of any of the Timber Corporation ventures, such as scrimber? Was the department involved in the New Zealand timber deal in its initial stages?

**The Hon. L.M.F. Arnold:** The department was not involved in the New Zealand IPL arrangements at all. With respect to scrimber, I recall that the Office for Technology

(previously the Ministry of Technology) did have the chance to comment upon the technology aspects of Scrimber, although not upon the commercial aspects. Scrimber is a very exciting technology with great potential. That is the only contact we have had with it, apart from generally in other Government-wide discussions.

**Mr RANN:** What are the Government's plans to develop the full potential of facilities at the Woomera Rocket Range?

**The Hon. L.M.F. Arnold:** The Federal Government has contacted all State Government agencies to ask what interest there may be in Woomera's facilities, as it is clear that the facilities are in excess of their immediate demands. As a State Government we hold the view that facilities at the Woomera range have yet to be developed to realise their full potential. Should the facility capability be further developed, it could provide the Australian defence forces with developmental and training ranges capable of trials and tests of aircraft and aircraft systems which, until now, have been conducted at overseas test facilities. Therefore, it could become a major facility for national and international purposes in the regional context.

Initiatives developed by the Department of State Development include examination of the commercial operation of the range. This is being discussed with the Department of Defence officials. Research has indicated that there might be a high level of private sector interest in the commercial operation of the range which would give increased usage of the range with the attendant employment opportunities to progress the normalisation of the township of Woomera.

As I mentioned in the House earlier this year, we should not see the Woomera facility as having a competitive stance to the Cape York spaceport proposal. Its potential is not of that type but it would easily complement what has been proposed for Cape York. Therefore, we are ensuring that Woomera is being kept in mind as that other proposal is being further investigated because subsidiary sites for other purposes will be required; Woomera would be ideal.

**Mr RANN:** Is there a developing role in South Australia for involvement of industry in space related activities, and is the Salisbury area seen as a base for those activities?

**The Hon. L.M.F. Arnold:** The Government certainly does see the aerospace industry—not just in the atmospheric range but in the outer space range—as being a significant activity area for South Australia. That belief is based upon history; we have had significant facilities at DSTO for many years and those facilities still exist. The first Australian satellite—Resat 1—was launched from Woomera. The research and development work for that launch was done at Salisbury. That facility is still there. Added to that is the significant potential of firms located at Technology Park Adelaide, which is also based in the City of Salisbury.

There are three issues to be addressed in the space area, the first being the development of launch vehicles. However, we do not see South Australia as having a major market in the building of launch vehicles, although there is a small company located at Technology Park—Australian Launch Vehicles—which has received assistance from the State Development Fund to undertake development work on aspects of launch vehicles. That is a very exciting little project and has some potential.

Secondly, there is the area of satellite construction. No project is current in South Australia, but, given our history, I believe that we have the potential to assist in satellite projects. Thirdly, there is the arena of communications using satellites, in other words, satellite dishes. Significant work is being developed. CODAN, again with support from the State Government and Commonwealth instrumentalities, has developed new dishes for receiving satellite com-

munications that can be used for distributive networks, particularly in outback areas. CODAN sees great potential for new satellite dishes and not only nationally; the export potential is also being investigated.

We also have a joint endeavour between the South Australian Government and British Aerospace to develop a small scale satellite dish for information networks. That project is still progressing and I expect that there will be announcements in that regard early next year.

In addition, the software back-up and microelectronic back-up to all aspects of space are being further supported by a number of other companies in South Australia and in our tertiary institutions. Some scrambling work is being done in conjunction with a number of firms at the Levels campus of the Institute of Technology, again within the City of Salisbury.

**Mr RANN:** Will the Minister outline the success that the department has achieved in attracting new investment to South Australia in recent months?

**The Hon. L.M.F. Arnold:** Certainly, a significant amount of investment has come into the State. I have given some global figures in the House in answers to questions, and they show very much an upward trend. Current indications are that the investment climate in this State is very healthy indeed. In South Australia spending on non-residential buildings, for example—which is just one aspect of investment—was \$257 million in 1987-88, compared to \$194 million in 1986-87. I have also mentioned in the House that, in the past six months, we have seen a growth rate in manufacturing employment that is double the national average. We have also seen an upturn in overall manufacturing employment, after many years of decline.

We have such major projects as Mitsubishi's \$230 million investment in the second generation Magna, involving an extra 160 jobs. There is Email's consolidation of the cooking range appliance production in South Australia, involving 150 new jobs, plus some further jobs resulting from the further automation of the Orange plant of Email, which will need automation products developed by Simpson Automation, a South Australian based company and a subsidiary of Email Ltd.

Further, there is the Adelaide-Brighton Birkenhead plant \$50 million expansion and the expansion of the South Australian Brewing Company's capacity, at \$25 million. The Kimberly-Clark disposable nappy plant at Noarlunga is a very exciting project, involving a major investment.

**Mr TYLER:** It is a baby boom area!

**The Hon. L.M.F. Arnold:** It certainly is a baby boom area down south, as is the case in the north, and many households will be using disposable nappies, which previously came from interstate but which will now come from South Australia. That plant at Noarlunga will provide 250 jobs and involves a \$30 million capital expenditure. We heard the announcement this morning of the Pacific Dunlop expansion of its battery making capacity, which will take the number of jobs involved there from 283 to 353, and that involves a capital expenditure of \$6 million, and it will be based at Elizabeth.

There is the Remm \$570 million development. Also, there is the Yazma development at Mount Gambier Spinning Mills, involving a \$3.8 million upgrade and 60 new jobs. The Gerard Industries establishment of a manufacturing plant at Murray Bridge, recently opened, involves 100-plus new jobs and \$2.5 million in capital expenditure. The Southern Farmers establishment of a cheese processing factory at Murray Bridge—which is its national cheese distribution point—involves 60 new jobs and \$2.5 million capital expenditure. The Fletcher Jones (Mount Gambier) expan-

sion involves 75 new jobs and \$2.1 million in capital expenditure. The James Hardie Irrigation Murray Bridge expansion will provide 50 new jobs and involves \$6 million in capital expenditure. The F.H. Faulding expansion of its research and manufacturing facility at Salisbury involves \$7.7 million in capital expenditure. Those developments alone, announced in recent months, will provide 1 000 new jobs.

In addition, there is the Holden Motor Company's \$500 million investment in South Australia. Anyone who attended the employees' open day at the Holden factory at Elizabeth would have seen just how much has happened there. Further, the Boral plant at Angaston will provide 87 jobs—and the Deputy Leader would be very happy with that. The Apcel tissue plant at Millicent involves a capital expenditure of \$100 million and 80 jobs. The concentration of Actil sheet production in Adelaide—involving a national concentration into Adelaide—involves a capital expenditure of \$20 million. The above developments are just those that we have seen in the past 12 months. I think this presents a very exciting picture.

**The Hon. E.R. GOLDSWORTHY:** The department put together the Sagasco-SAOG deal to set up Sagasco Holdings with its subsidiaries. I was on the select committee that looked at the legislation involving this matter. It was quite clear that Sagasco Holdings would need a massive injection of capital somewhere along the line, and fairly soon I would think. Has the department now washed its hands completely of that deal, having negotiated via Dominguez Barry Samuel Montagu Ltd? Is the department out of that now?

**The Hon. L.M.F. Arnold:** In respect of the SAOG-Sagasco capitalisation needs, in a moment I will ask the Director of the department to comment. In respect of the relationship with Dominguez Barry Samuel Montagu Ltd, we had a trial relationship, whereby a retainer was paid to DBSM, and that resulted in \$20 000 being paid for the six month period ended June 1987. There has been no formal ongoing relationship with such a retainer fee since that time. However, the department will continue to use DBSM for specific arrangements where its experience and expertise is appropriate. However, other firms will be considered. Indeed, the department previously had a retainer with Morgan Grenfell, and that company will be considered where appropriate. That will apply also to the recently established locally based merchant bankers, Ayers Finnis Ltd. That company, too, where appropriate, will be used by the department, as will any such firms as relevant.

**The Hon. E.R. GOLDSWORTHY:** The Minister is saying that that will be by invitation, instead of having Dominguez Barry on a retainer of \$20 000—which to that firm would be peanuts. As the Minister and the Director would know, the arrangement led to some ill feeling amongst local firms. The Minister is saying that firms will be chosen for certain jobs and that Dominguez Barry is just one on the list.

**The Hon. L.M.F. Arnold:** Just one of the players.

**The Hon. E.R. GOLDSWORTHY:** Has the department washed its hands of that deal or does it have any further involvement with Sagasco Holdings?

**The Hon. L.M.F. Arnold:** The question also dealt with the capital needs of SAOG-Sagasco and future Department of State Development involvement, and I now invite the Director to comment on that.

**Mr Hartley:** First of all, as far as the activities of the department are concerned in relation to SAOG-Sagasco, we retain a strong interest in the development of gas related industries in this State. In fact, we are putting a lot of effort into trying to find new industries, using Cooper Basin gas. That involves a lot of work with Sagasco, as well as with

other companies, like Santos and others in South Australia. Secondly, I am the Government nominee on the board of Sagasco, so the department has a strong involvement in that sense. As far as the needs or otherwise that Sagasco may or may not have for capital are concerned, this, of course, is a matter that is dealt with in the Companies Code, and involves a public company and sensitive matters having a bearing on the Sagasco share price.

So, as a director of Sagasco or as the Director of the department I cannot comment whether the company does have a need for more funds and, if it did, how it would raise those funds. It would have a number of options open to it. It could borrow more money, or it could go to the public. I can say that, at the time of the merger, it was recognised by the company that it may find it appropriate to go to the public for an equity issue some time in the future after the merger had taken place. That is a matter of public record, but I cannot say more than that.

**The Hon. L.M.F. Arnold:** To answer the basic question of whether the department has washed its hands of this matter, as with any other corporate entity in South Australia, the department remains prepared to give advice where it is relevant and proper to do so.

**The Hon. E.R. GOLDSWORTHY:** Obviously, having the Director on the board must have some significance.

**The Hon. L.M.F. Arnold:** That is why I said 'where it is relevant and proper to do so'; there will be no attempt to breach the proprieties as required under the Companies Code.

**The Hon. E.R. GOLDSWORTHY:** I suppose that the new Sagasco Holdings will become part of Fortress Adelaide.

**The Hon. L.M.F. Arnold:** Well, that is a strange term, Fortress Adelaide, but in as much as Sagasco was already South Australian controlled by the community.

**The Hon. E.R. GOLDSWORTHY:** What is the role of the department in the Stony Point refinery project?

**The Hon. L.M.F. Arnold:** As to the Southern Cross Galaxy Refinery, both the department and the Department of Mines and Energy have been extensively involved in evaluations of that proposal. The department's role has been to prepare briefing materials to the Government and to the IDC following the application by Southern Cross Galaxy for various forms of assistance. They were commercially attuned briefings to comment on the commercial viability of the proposal, thus giving the Government and IDC advice to the extent that they should assist the proposal.

The information went to the IDC in 1987. It made a recommendation to Cabinet that the project should be supported with certain constraints by a package of financial support from the development fund in particular. That was then made known to the proponents, who have been further developing the project, putting together their financial package to construct the refinery at Whyalla. A commitment has been given and is known to the proponent that, because of the significant interest of other firms in Australia about the proposal, the forms of assistance available will be made public at such a time when it is no longer commercially sensitive. They will be made public when it will not jeopardise the project, so that other firms can be assured that no special favouritism is being given to the proponent over any other company in the industry, in particular, the Stanvac refinery owners.

We have not yet reached that final stage, but the commitment stands that those measures will be made public. That is an exception from the normal course of events, as discussed this morning. At present, all the technical details have been resolved. The matter relating to the supply of

inputs has been formalised. It now just remains for some final details in the investment package to be further pursued.

**The Hon. E.R. GOLDSWORTHY:** I wanted to know whether any incentives or assistance would be made public. I am pleased that an exception has been made; everyone knows that there has been consternation about any assistance that the Government might give to the project. I was pleased to see that the department was interested in the mining industry, too. Reference is made in the Program Estimates to the development of a strategy for rare earth mineral-based applications in South Australia and the establishment of further rare earth based industries in South Australia. It also talks about maximising the opportunity for further processing of the State's primary products, which includes the mining industry. What are you doing to crank up a rare earths industry? There are enough rare earths at Roxby to flood the world market. I am interested in downstream processing. Has the department had anything to do with getting uranium enrichment facilities for South Australia, which would be a fertile field for the department to be involved in?

**The Hon. L.M.F. Arnold:** The Deputy Leader refers to the vast amounts of rare earths at Roxby. It was put to me by a Western Mining Corporation representative that, if all the rare earths at Roxby were exploited, they would no longer be rare. That is how vast the quantities are. We have other sources of rare earths in South Australia, particularly those contained within the Port Pirie tailings. The department is very keen that we maximise the opportunities out of the rare earths industry and that we do so not just in terms of the extraction of rare earths at separation but also in terms of the industrial applications of it.

The Government has recognised this and has directed that there be an interdepartmental task force to negotiate with whatever prospective companies there may be with the object of establishing a rare earths industry in South Australia. That task force comprises representation from Mines and Energy, Environment and Planning, the Attorney-General's office, State Development and Technology, and the Health Commission, and is under the chairpersonship of the Director of State Development and Technology. The task force is considering proposals from some companies to establish a rare earths separation and processing plant and, pending conclusion of its considerations, a recommendation will be considered by Cabinet.

I want to put the lie to the suggestion that the Rhône-Poulenc plant in Western Australia has automatically closed further opportunities—it certainly has not done so. In any event, the Rhône-Poulenc plant is limited to just two elements in the lanthanide series. Many other elements are contained within the South Australian province. Also, the applications market may be of such enormity, particularly 10 years hence, that supplies will be much greater than anything even Rhône-Poulenc could do with the couple of elements that it will be extracting. The CSIRO is actively involved in research applications for rare earths. Just yesterday I met with the CSIRO executive, which was visiting Adelaide, to discuss matters such as this and to ensure that we keep open lines of communication. It has also been a matter that we have drawn to the attention of overseas interests.

Our visits to China and the visit from China to South Australia had rare earths as one topic of discussion. China not only has vast rare earths reserves but it also has some aspects of technology for the extraction of rare earths that are not available elsewhere, and these may perhaps be areas

in which we would want to see some joint venturing to access some of those technologies.

**The Hon. E.R. GOLDSWORTHY:** What about uranium enrichment?

**The Hon. L.M.F. Arnold:** That is something that the Government is not formally considering at this stage, and the honourable member would be well aware of the issues involved in that.

**Mr GROOM:** At page 179 under '1987-88 specific targets/objectives' this statement is made:

Actively pursue the Sarich orbital engine manufacturing plant for South Australia.

Can the Minister provide an up-date on the situation and say what benefits might flow from the establishment of such a plant?

**The Hon. L.M.F. Arnold:** I certainly can provide some information on this matter. The orbital engine proposal of Ralph Sarich and the Orbital Engine Company was considered by the department this year. Early in the year the Federal Government established a national steering committee to manage a feasibility study for the manufacture of the orbital engine in Australia. The South Australian Government, through the auspices of the department liaised with that body and made a detailed submission to it. It was an excellent submission which is a credit to all the officers involved.

Since that time, there have been ongoing discussions with DITAC officials in Canberra. There have also been discussions with the relevant unions in South Australia with respect to any industrial agreements that might need to be forged in the event of the facility being established in South Australia, and a final submission from the State Government to the Orbital Engine Company has been developed with respect to proposing that a plant be established in South Australia.

The job benefits of such a plant would be of the order of 600 or maybe 800 jobs directly, in a plant established in Australia, as well as the many jobs that would be created in the componentary industry that would supply such an automotive engine plant. At all stages, it has been understood that there would be significant demand for automotive components in addition to the engine plant itself. The capital expenditure estimated for such an engine plant is of the order of \$400 million. I might add that it would be a significantly automated plant.

The board of the Orbital Engine Company met in Perth on 8 August to decide on any plant's location. The Committee may remember that prior to that some discussion took place about whether or not the technology would go ahead. That has since been validated by a non-exclusive agreement that Sarich has signed with the Ford Motor Company in the US. It is a technical agreement but it is non-exclusive. It really gives some technological validation to the orbital engine.

Secondly, statements were made by Ralph Sarich that a \$100 million cost penalty would be incurred to construct the engine in Australia. I believe that it was really officers of the Department of State Development, more than any other in Australia, who were able to convince officers of the Orbital Engine Company that those figures were not correct—that, in fact, at the very least, it was no more expensive to produce the engine on current cost estimates in Australia and that, indeed, there might even be a cost advantage producing it in Australia as opposed to producing it in Michigan.

Since that time when the board met on 8 August, it indicated that it would nominate a preferred Australian site within the near future. While we understand that that deci-

sion may be close to being made or may have been made, it will not be publicly aired until further discussions take place with the Federal Government and, in any event, until further discussions take place in the US as well. But, we are firmly convinced that South Australia has a reasonable chance of getting the plant located here if there is to be a plant in Australia. As I publicly quoted previously, I would say that in the race of Australian States for this project we are ahead by a nose.

**Mr GROOM:** Further down, under 'Major resource variations', a special payment of \$3.6 million was made in 1987-88 in full settlement of the State's obligation to purchase existing ship lift facilities under the terms of the submarine contract. The submarine project is now a year old. Can the Minister outline what benefits South Australia has gained from that project and what future benefits can be anticipated?

**The Hon. L.M.F. Arnold:** With respect to the submarine project, we are already starting to see significant developments. You will know that the contract was awarded on 3 June 1987 to the Australian Submarine Corporation to build six diesel electric submarines from the Australian Navy by 1999 with Port Adelaide nominated as the assembly site. The Australian Submarine Corporation relocated to Adelaide in November 1987, taking up temporary accommodation at the South Australian manufacturing plant at Woodville where it currently employs some 260 staff. This will grow to 350 staff when the ASC moves in late 1989 to its new Australian construction facility being built at Osborne. A further 350 production workers will be employed once submarine assembly work commences in 1990. Work at the \$120 million Australian construction facility is well advanced, with some 90 per cent of the work being undertaken by South Australian firms and up to 200 construction jobs being created between now and September 1989; that is site construction jobs as opposed to submarine construction jobs.

None of those jobs would have come if we had not been successful in winning the assembly site case, nor would the local economy be benefiting from the increased economic activity that has resulted from the building activity that is currently underway at Osborne. ASC has awarded a range of contracts to overseas companies to design the various sub-systems that comprise a submarine. They in turn have entered into arrangements with Australian firms under the 70 per cent Australian industry involvement (AII) of the contract. To date, the South Australian firms, Fairey, British Aerospace, Thorn-EMI and Nilsen have between them won work valued at some \$80 million. A further round of supply contracts will be available when construction of the first submarine commences in 1990.

Several local companies have also submitted quotations or are awaiting the release of tender documents for equipment. ASC has contracted with suppliers of long lead time items at this stage and smaller items may not be sought for another two years bearing in mind that the first submarine is not due for construction until early 1990 and will not be launched until 1993.

Alongside that, we are also ensuring that we put pressure on the Federal Government to see the construction number increase from six to eight submarines and also to consider the refit opportunities. The submarine hulls will have a long life, but they will need significant refits at various times during their life, and that involves major work.

With respect to the Eglo ship lift arrangement with which the honourable member started his question, the ship lift at Port Adelaide is a part of the State's infrastructure, and it was very important for the State that we ensured that the

infrastructure was here to improve our competitive position in winning the submarine tender.

*An honourable member interjecting:*

**The Hon. L.M.F. Arnold:** The honourable member says we wrote off \$6 million, but we are saying that it is part of the infrastructure of this State, in which the State has invested. It was an important part in the State's campaign to attract the submarine project to this State. It was constructed by Eglo but financed by a loan of \$6.6 million through the State Development Fund. To ensure that the lift could be made available to whichever consortium was successful, the State had the right to repurchase the lift after deducting the value of assistance provided. So, there has been no double counting here, and that is a very important point. In order to fulfil its obligation to ASC the State also had to acquire the land on which the ship lift was situated, and make that available to the ASC. This involves some compensation for the value of the land and improvements thereon, apart from the ship lift. A negotiated settlement on the total value was reached between the Government and the ASC which resulted in a payment of \$3.6 million. So, I make the point again that there has not been double counting in that, and that it has added to the State's infrastructure as a result of its very construction and subsequent arrangements that have been made.

**Mr GROOM:** The Minister may have already touched on this, but on page 178, under '1988-89 specific targets', it states, 'Publish a new technology strategy for South Australia'. Can the Minister say what is involved and what is intended by this new technology strategy?

**The Hon. L.M.F. Arnold:** The process of the technology strategy resulted in a draft document being released some few years ago that was the subject of a debate in this Chamber. Since that time, a lot more work has been done on promoting technology in this State. A technology budget program is being produced each year, identifying major areas of Government expenditure that have been devoted to technology through all Government departments. Government departments have been allocating major sums that have been assisting in the technological development of this State.

With respect to the technology strategy, I would have thought that we were taking it into the economic development strategy which is being prepared at the moment that it would be a subsection of that.

**Mr GROOM:** I am asking for clarification of the significance of that.

**The Hon. L.M.F. Arnold:** I have a feeling that it is a carryover of a former item that has since been dealt with. It will now not be a separate document; it will be part of the economic development document. We considered the draft document sufficient for public discussion purposes.

**Mr S.J. BAKER:** My question relates to the Minister's responsibility in the technology area. The Minister would be aware of the difficulties that have been highlighted by the Public Accounts Committee and the Auditor-General relating to computers in terms of their ordering, appropriateness, viability and, indeed, whether proper economic assessments were carried out before their ordering. As the Minister responsible for two areas—the Office of Technology but, more importantly, the Information Technology Unit of the Premier's Department—can he explain why these difficulties have arisen and what he is doing to address them?

**The Hon. L.M.F. Arnold:** In an area of rapid change, information technology has certainly presented an imperfect path for Governments all over the world. Many proposals have lived up to expectations, but it is also true that other

proposals have not sufficiently matched expectations, or maybe have gone significantly over budget. I believe that the track record we have seen in recent years in South Australia is a much better management of these issues than previously. Indeed, I think it is comparable with the management of these issues in other parts of Australia.

With respect to the particular proposals that the honourable member mentioned (as quoted by the Auditor-General), I also draw attention to the fact that the Auditor-General acknowledged the need for investments in information technology; he was not making a statement that such projects should go not ahead. The question then is the extent to which these projects have not met initial expectations. The reality is that such things as the motor vehicles system has seen savings already within the recurrent budget of that department, and it has given that department capacity to react to the very tight budgetary conditions that we have had over the past couple years—where all departments have been required to deliver up real savings—and some of its savings have been enabled by the new system it has on line.

The Justice Information System has resulted in some such budgetary savings, for example, in the Department of Labour, with respect to the computerisation of agreements. The JIS system is technologically very sophisticated. There will always be some teething problems with such a system. We believe that the system is under proper management. Regular meetings are held with the relevant Ministers involved—and I am one of them—and we are monitoring its development at all stages. Some elements of it have gone over budget, and that is certainly a matter of concern.

We are doing everything that is proper within the requirements of the Auditor-General's Report to ensure that we minimise cost over-runs in that particular project, but it certainly should not take away from the fact that the JIS will give a very advanced technological capacity to the relevant departments of this State Government which need to access that system and, as a result, this will improve service, which will benefit the community.

**Mr S.J. BAKER:** As a supplementary question, I asked who is responsible and one of the conclusions drawn from the Public Accounts Committee was:

Although sound guidelines exist concerning the data required to make informed decisions concerning major capital expenditure (as detailed in Data Processing Board Guideline No. 5 issued in August 1981—

that was during the Tonkin Government—

and in Premier and Cabinet Circular No. 112 issued in September 1985), there appears to be widespread non-compliance with these guidelines in submissions seeking approval for expenditure on computing systems. Too often, important information such as financing data is missing or submissions are incomplete in material ways.

The report was really quite scathing about the operations of the Government and the amount of control that it exercised. Who is responsible? Is the Information Technology Unit responsible for vetting these propositions? Is the Minister responsible? What action will the Minister take to ensure that all the things that were identified in the Public Accounts Committee will be attended to as a matter of urgency?

**The Hon. L.M.F. Arnold:** The Auditor-General commented on this matter also. The Information Technology Unit answers to the Government Management Board. It is headed by Malcolm Hill and a team of five people work in the ITU. The GMB is part of the Premier's activity. However, with respect to matters of information technology, the Premier has delegated ministerial responsibility to me, so I have the ministerial coverage of that. I therefore receive

reports from the GMB relating to the ITU. I also receive direct advice from the ITU.

The advice that I have from the ITU about the Auditor-General's comments include the following general responses:

... it should be emphasised that the South Australian public sector is not an extravagant user of information technology. A national survey, completed in 1987, estimated that, on a relative basis to the size of the public sector, South Australia was one of the lowest users of information technology of all Australian States.

I do not say that that is a positive or negative statement: it is just a statement of fact. The report continues:

A number of the public sector's computer base systems are highly acclaimed. These include the Department of Lands LOTS system, E&WS Department's revenue system, the TAB computer system, the Marine and Harbors shipping information system.

Recent newspaper reports indicated that Macau racing people were interested in the TAB computing system. They believe that, as they turn from trotting to horse racing, that system could be applied in Macau. The report continues:

This [status in South Australia] has been achieved, despite the public sector having difficulty in attracting the required numbers of computer systems officers, given the private sector competition for these people.

There is an enormous shortage of highly qualified computer people. In South Australia we have a Catch 22 situation which has relevance to our higher education institutions. There is always excess demand for places in computer courses in the higher education system. One would assume that that fact would justify our increasing the places immediately. However, the problem is that there are not sufficiently highly qualified lecturers in this country to provide for the vastly increased number of places that could be needed. We anticipate that next year perhaps 100 of the 500 or 550 extra places in this State will be in computing science. Therefore, it cannot be concluded that management information technology in this sector is out of control. In respect of the JIS, the following comment was made:

There is no obvious basis for the \$50 million estimated expenditure on JIS as stated in the report.

Therefore, there is no consequent indication of where the 19 year pay back period comes from to give the figures that were given in that report. The minute continues:

So far, \$14 million has been spent. A review is currently being conducted of the system's development program to ensure that that program delivers the maximum benefits, with the least expenditure.

The system in the Motor Registration Division has been the subject of major attention from the PAC, as identified by the member for Mitcham. Aspects of the initial cost/benefits of this system are being examined by the Government Management Board. However, it should be emphasised that this system was not devised as a new system but, rather, to replace an outdated batch system for the processing of registrations and licences that has been in operation in one form or another since the late 1960s.

In relation to the question of the viability of the GCC, the Government Management Board has been working with the management of the Department of Services and Supply to ensure that the GCC is a viable organisation. At this time it is financially viable, in that it generates sufficient revenue to cover its costs. However, as the nature of the information technology changes, so there is a need for the GCC's role to be kept under review and that is presently under way.

With respect to the work program for the Information Technology Unit, to date the ITU has concentrated on general improvements required in the information technology infrastructure. One of those improvements was, in conjunction with senior management, to construct a more relevant policy statement as to its function, for Government

Management Board and for Government approval. This policy is based on current management thinking and, in addition, is compatible with directions and organisational impacts of information and technology, as we predict them. In particular, the policy makes clear that, rather than getting simpler, the productive application of technology is getting more difficult, resulting in the requirement for yet further increases in the levels of senior management involvement and understanding.

The way in which the ITU can assist agencies and chief executive officers will vary from agency to agency, depending on both the understanding of the chief executive officer and the nature of the agency's business.

In preparation for this support, the ITU has been giving particular attention to those activities that would be common to the majority of agencies and senior executive needs. Examples of these include improvements in analysis and design methodologies, project management techniques and strategic planning methodologies. In this light, the following activities are proposed. The ITU aims to organise a series of strategic planning seminars for senior managers, on strategic planning for information technology. This is targeted for November this year or the first quarter of next year.

The second activity relates to skill bases and staff development matters. Because the adequacy of skill base remains a significant area of vulnerability, the ITU will continue to work with DPIR on initiatives to expand and improve the skill base. Initiatives may include involvement in the new Business Council of Australia/Federal Government initiative, involving the creation of Bachelor of Information Technology courses, although I have identified the problem with staff shortages. Other initiatives may include responding to training needs of agencies by organisations of courses in this State—an example would be project management courses—and assisting in graduate recruitment programs.

The ITU will undertake work on the following:

**Standards:** Continue the developments agreed to by the Information Systems Managers Advisory Committee (ISMAC) wherein minimum standards are determined for the methodologies.

**Review of Financial Analysis Guidelines:** As will be advised to the Public Accounts Committee, the need to tighten and clarify the guidelines has been recognised. The work has concluded, and is ready for re-issue by November. The ITU is also investigating a more standardised approach to financial analysis that is personal computer based, and permits a better analysis of both sensitivity and risk.

**Communication:** Communications standards are becoming an increasingly critical element of the ITU's work program, as information technology reaches out into wider areas of communications technology.

**Preferred Operating Environment:** Again, through ISMAC the ITU will act as project managers in determining the validity of proclaiming a preferred operating environment. In short, this will say that unless agencies have cogent reasons to do otherwise Government purchases of mid-range IT equipment and software should be based on the UNIX operating system and the SQL query language system. A reference group has been formed comprising a number of departments to prepare a position paper on this matter.

Another initiative is to provide information to industry watchers and the public sector. In addition, the ITU will also undertake the establishment of an OGMB local area network, it will facilitate State Development activities out of public sector information technology developments and will be involved in the completion of projects and activities.

The committed projects already under way include the security standards issue, which I mentioned, contingency plans for major facilities should they become damaged, common billing system, work information technology procurement review, and office automation standards. Further, a number of appraisals will be undertaken by the Information Technology Unit and also coordination of standard issue items.

**Mr S.J. BAKER:** What is the status of the multi-function polis? Members would be aware of the general concept of possible Japanese investment in South Australia. That concept has been modified and will continue to be modified. However, can the Minister indicate what stage has been reached with respect to the multi-function polis, realising that it might be eight or 10 years down the track before anything happens?

**The Hon. L.M.F. Arnold:** The South Australian response has been coordinated by the Department of the Premier and Cabinet, although an officer of my department is involved with the committee that is examining the matter. As State Minister, I have reported to the Australian Industry and Technology Council of Ministers on the State Government's response. Last December, AITC agreed that there would be a jointly funded Federal/State feasibility study into the multi-function polis concept. All States were invited to contribute and the amount per State is \$200 000, with the Commonwealth putting in a matching amount. So, it was a very extensive feasibility study. This was to build upon the concept that had first been raised as a result of what is known as the Amaya visit to Australia. That consultancy is under way and South Australia has paid its share of the money to the Commonwealth.

Once that is completed, it will identify preferred options for, first, what the specifics of the multi-function polis should be, because at this stage it is very conceptual and, secondly, if it is not to be spread into all of the States, which State or States it will generally focus on. Once that takes place, further feasibility work will be needed, and that will be funded jointly by the Federal Government and the particular State Government or Governments affected. If South Australia becomes a nominated site for all or part of the multi-function polis, it will be a jointly funded arrangement between South Australia and the Commonwealth, involving any other State that may also be a locus of the polis.

Our preferred view is that it is not a good thing to have a huge facility in just one spot. We would prefer to use what I have termed the archipelago approach, which is a number of facilities that are relevant to a multi-function polis concept that would be primarily located in the southern suburbs and into the southern reaches down to the South Coast. We see it involving aspects of research, industry, recreation and tourism. We have the firm view that a multi-function polis concept must be premised upon an international rather than a bilateral base. It should not simply be a Japan/Australia concept: it should be an international concept involving the transfer of technology and people from all parts of the world. In that context, it should be similar to and much larger than the Wenner Grem Centre in Stockholm.

Another point is that the concept should encourage the growth of technology, not constrict it. If it were to restrict it simply to what technologies are delivered through such a centre, that would stifle technological innovation in other areas, and we would not support that. It is early days yet: the concept plan is still being worked on. Once the first phase is finished, the second stage of the feasibility study

will commence and South Australia will be involved in it only if it is part of the proposal.

**Mr S.J. BAKER:** I refer to page 178 of the Program Estimates and the note about the survey of information technology industry. What has been or is being surveyed? What information is being sought? When will the results be published?

**The Hon. L.M.F. Arnold:** This is an internal document that has been prepared for the department's own purposes and assistance for the development of the industry. It is not expected that it will be published: it is a working document. The department carries out these reviews from time to time, and recently such a review was done on the electronics industry. That working document was completed earlier this year to ensure that our efforts to assist South Australian electronic industrial development are well targeted. That particular study found that something like 30 per cent of the output of electronics firms based in South Australia was consumed in South Australia. Another 35 per cent was consumed in other States of Australia and the remaining 35 per cent was exported. That confirms the export stance of the South Australian electronics industry.

If I remember correctly, approximately 90 firms were involved in that survey. It also indicated a very high level of commitment to research by the electronics firms based in South Australia. This particular review of the information industry is broadening out to include software development areas and, more particularly, areas of communications technology. It will be used as a working document within the department.

**Mr Hartley:** This also relates to the Federal Government's new Partnerships for Development Scheme, which replaces the old, rather rigid, civil offsets arrangements in the information technology area. Under the scheme, the offset obligations of the large multi-nationals in the information technology area (such as IBM and Wang) can now be acquitted by their investing in Australia and in Australian businesses which lead to exports. We see that as a source of great opportunity for South Australia, and we are now working very closely with those large multi-national companies to attract investment in existing businesses and in new projects and then use those investments as a conduit back to their own export markets.

**Mr S.J. BAKER:** Referring to page 178, the department is developing a strategy for management buy-out, and Orlando is mentioned. Are other firms involved in this proposition?

**The Hon. L.M.F. Arnold:** This strategy has been growing in significance for the department for some time now. A trend is developing internationally with respect to the change of control of an enterprise when management takes control but does not have the financial resources personally available to purchase the company from the previous owners. The management buy-out process sees a financial package cobbled together with financiers who assist in the take over process. It offers great potential because the very people who make an enterprise a success have a chance to increase the return from their efforts. In other words, they have a further commitment to make an enterprise even more successful. It also gives the opportunity for the ownership of an enterprise to return to its original location, so a number of companies could return to South Australian financial control.

**The Hon. E.R. GOLDSWORTHY:** They would have to improve their performance. It is predicated on improved performance, surely?

**The Hon. L.M.F. Arnold:** I will ask the Director to comment on that shortly. Certainly, management buy-outs are

not simple to put together, but it is an interesting method of creating new investment opportunities.

**Mr Hartley:** Management leveraged buy-out is one of several tools or approaches to our policy of trying to avoid the loss of control of businesses in corporate South Australia to other parts of Australia. This situation of weak companies being taken over is difficult to stop, and why should we? During the 1960s and 1970s, good South Australian businesses were under threat of being taken over, split up and moved to the Eastern States, but the department can try to mitigate that or even reverse it. For example, strategic partnerships between South Australian businesses or the strengthening of a particular business so that it becomes the acquirer and not the acquired is one way to go. Another approach is a more professional approach to equity raising. The final approach is management leveraged buy-out, which is the ultimate way of ensuring that a business, if it is owned by the management, retains its control and headquarters here in South Australia.

Contrary to press reports and general discussion, it is by no means essential, due to leverage and mezzanine finance, for a company to improve its performance to support a management leveraged buy-out. If a company meets the prime requirements of leveraged buy-out—and one is that it already has a good existing cash flow—methods of finance can be arranged and supported, but only by that existing cash flow. So, it is important that a business maintains its existing cash flow, but it is by no means necessary that it in some way lift its game and maybe do the impossible.

Whenever we become aware that there is a danger that control of South Australian business could move interstate, we enter into discussions with the company and look at the option of management leveraged buy-out. In fact, there is a company at the moment where that is being considered. We do not fund leveraged buy-outs, nor are special soft loans or soft financing arrangements ever made. They are funded by normal commercial sources, sometimes it is the State Bank of South Australia, but it could also be the State Bank or insurance commission of another State. There is no question of any direct Government funding of a leveraged buy-out.

**The Hon. E.R. GOLDSWORTHY:** Are you suggesting that they can get normal financing for it?

**Mr Hartley:** It depends what you mean by normal financing. The type of financing necessary for leveraged buy-out is called 'mezzanine finance'. It is very complex in that small amounts of money can be used as equity to generate very large funds which are available in the form of quasi equity for the business concerned. However, money is provided on normal commercial terms from normal commercial sources. In the case of a typical management leveraged buy-out, management's contribution to the equity base of the company that owns the enterprise concerned would be relatively small. It might be in the region of, say, \$1 million.

That \$1 million is used to create a vehicle which, in turn, owns the original business. An original business worth \$40 million or \$50 million might be owned by another business with an equity of only \$1 million. That is how it is done. The management might own, say, half of that \$1 million. That would be quite typical. It could own anything between 30 per cent and 70 per cent. The balance would be provided as equity by an equity investor—a private investor, an MIC company or an insurance commission, and it could even be one of the normal institutions around Australia. That is used as a base for normal borrowed funds and would come normally from the banks at normal commercial rates. There are no soft funds involved in management leveraged buy-

outs or, indeed, in leveraged buy-outs of any sort (not only those by management).

**The Hon. E.R. GOLDSWORTHY:** Do they ever improve their gearing?

**Mr Hartley:** A very high proportion of the money that is required in a leveraged financial arrangement comes from quasi equity, which is in the form of convertible notes serviced by dividend, and dividend is paid only if the company is successful. There is never a crippling interest bill when a management leveraged buy-out arrangement is set up. Otherwise the lenders would not provide the funds. So, the interest bill is covered by the cash flow generated within the business. One of the advantages is that the managers who become the new owners must put a certain amount of financial commitment into a leveraged buy-out, but not to the extent that it would be financially crippling. They do not have to mortgage their homes or put themselves into a position where they go bankrupt if trouble arises. That was the situation, but it has been found in the past 10 years in the United States (where this approach began) that, when in the course of running a business management is under threat of going under, that is not the best way to get results. The best approach is to have a situation whereby the owners will be hurt badly, but not sent completely broke, if the business goes under.

**Mr LEWIS:** Apart from having their head on the block.

**Mr Hartley:** Yes; often it would be equal to about half the sort of money that they could command. So, instead of their home, their boat or car might be mortgaged.

**The Hon. E.R. GOLDSWORTHY:** The cash flow pays the interest, but they have to improve to get ahead. The bottom line is that there is one hell of a big poultice they have to service and they have to improve dramatically.

**The Hon. L.M.F. Arnold:** The firm to be purchased is presently owned by owners and that ownership is made up of elements of direct equity plus a debt, which itself requires servicing. The debts require ordinary servicing anyway by interest payments and the owners presumably require return on their investments. The company is expected to generate enough cash flow for that. The question is whether or not the new value attached to a company for a management leverage buy-out is for some reason significantly escalated upon its previous valuation requiring higher cash flows to service it. If that is the case, the honourable member's point would be correct, but in the normal course of events we would not expect that to be the case.

**Mr Hartley:** No lender or investor would put money into a management leverage buy-out if it was necessary for the company to significantly improve its cash flow generation for that to work. It would be too risky. In the case of Orlando, the business was quite capable of sustaining the sort of arrangements made. Indeed to show its confidence the original vendor, the company in the UK which sold it to management, provided a significant proportion of the finance.

**Mr LEWIS:** So there is a holiday on the huge interest bill that would otherwise be incurred allowing the firm to stabilise itself in the market in which it is disposing of its services or products and pick up that interest bill through these convertible notes you have spoken about in the form of dividends further down the track.

**Mr Hartley:** Yes, and partly the interest bill is funded by the internal cash flow from the business.

**The Hon. L.M.F. Arnold:** The number of different types of arrangements made would equal the number of different types of management buy-out that have occurred. They are specific to each case and we cannot generalise.

**Mr S.J. BAKER:** I refer to page 179 of the Program Estimates where it is noted that South Australia attracted 80 business migrants. Will the Minister provide information in tabular form? What were the sourcing countries of that business migration and the total amount from each, and what percentage of the total funds brought in during 1987-88 (that is, \$48 million) was to be put into manufacturing industry?

**The Hon. L.M.F. Arnold:** I have two tables as follows:

BUSINESS MIGRATION PROGRAM  
NATIONAL VISAED CASES BY TOP 18 COUNTRIES

Table 1

Country	1985-86	1986-87	1987-88	Applications 1987-88
Hong Kong	168	394	788	1511
Malaysia	50	82	165	343
United Kingdom	43	83	165	288
Singapore	56	63	86	167
South Korea	7	13	79	237
Japan	2	14	67	99
Fiji	4	2	58	130
Indonesia	26	57	55	96
Germany	14	30	48	61
The Philippines	8	10	43	76
Brunei	7	29	42	88
Greece	3	18	37	66
USA	16	24	31	77
South Africa	26	31	23	31
Syria	—	3	18	35
Switzerland	2	5	17	20
Canada	5	5	17	32
The Netherlands	6	7	13	16
Other	37	41	11	190
Total	456	919	1852	3563

BUSINESS MIGRATION SETTLER ARRIVALS:  
July 1982-March 1988

PRINCIPALS BY COUNTRY OF LAST RESIDENCE—TOP  
15 SOURCE COUNTRIES

Table 2

Country	Principals	Total Persons
1. Hong Kong	1 014	4 247
2. U.K.	425	1 436
3. Malaysia	419	1 768
4. Taiwan	335	1 416
5. Germany	207	625
6. Singapore	199	804
7. Indonesia	192	887
8. South Africa	112	451
9. U.S.A.	90	291
10. Brunei	65	277
11. Korea	65	276
12. Japan	58	185
13. Fiji	54	195
14. Philippines	41	186
15. Canada	35	108
Other	422	1 594
World wide total	3 733	14 746

N.B.: The Business Migration Program began in April 1982. 'Entrepreneurs' who arrived after April 1982 but lodged applications prior to that time are not shown.

Between 1982 to 1988, 3 733 families settled in Australia, transferring over \$2 billion, and more than 200 of those families settled in South Australia. The figure for South Australia in 1987-88 was 114 visaed families out of a national total of 1 852 visaed families. The 1986-87 figures were 74 and 919 respectively, and for 1985-86 44 and 456 respectively. We are competing against Canada and New Zealand in an aggressive market. South Australia is doing well in Hong Kong and Singapore. We are very much newcomers to the Korean market; we have had only two from Korea

in the past 12 months and we targeted that area on my most recent mission to the Republic of Korea.

**Mr S.J. BAKER:** How many business migrants came from each of the sourcing countries? I note that the Minister referred to 114 families where the Program Estimates refers to 80 business migrants. Can the Minister resolve that difference? Will the Minister provide sourcing countries of migration, the approximate value by sourcing country and how much of that total \$45 million was targeted for manufacturing investment?

**The Hon. L.M.F. Arnold:** The tables I have incorporated give national figures, but the honourable member is asking for State figures. I will supply that information as well as a table of the types of firms involved. It is pleasing to note that a significant percentage are in manufacturing, particularly export oriented manufacturing. I will provide that information in tabular form.

**Mr S.J. BAKER:** Considerable concern has been expressed about money coming into the country purely for speculative purposes. I refer to submarines (page 179 of the Program Estimates). The Minister previously informed the Parliament about a number of aspects of the submarine contract. Will he supply information on how many local firms have received contracts for the submarine project, how many interstate firms have received contracts, and how many overseas firms have received contracts, and what is the approximate total value of each?

**The Hon. L.M.F. Arnold:** I will have my department examine the extent to which we can access that information and have it incorporated in *Hansard*. Earlier this morning I identified that \$80 million worth of the contracts issued so far has gone to South Australian companies other than for site construction. About 90 per cent of the contracts awarded to date have been won by South Australian firms, largely because of facilities located here. The contracts for various sub-systems of the submarine project are required to meet 70 per cent Australian industry involvement. The South Australian firms Fairy, British Aerospace, Thorn EMI and Nielsen have won between them work valued at \$80 million. The honourable member is asking how many have been won by interstate and overseas firms and we will endeavour to ascertain that information from the ASC by the due date.

**Mr S.J. BAKER:** Will the Minister provide details on manpower scheduling for the submarine construction process on a yearly basis for the next five years? I understand that they will start to come on site within the next year, so the process starts in 1990. I have real concerns about pressures on the metals industry at the moment.

**The Hon. L.M.F. Arnold:** We will supply that information. We are also monitoring closely possible pressures on the metals industry and the requirement to train more people. We have been watching these figures closely. The schedules presently indicate that it will be within the capacity of our skills base.

**Mr S.J. BAKER:** There are grave deficiencies in the toolmaking area of the metals industry. I know that the submarine project will employ a number of electricians; they will be in great demand. Metal machinists will also be in reasonably high demand. Local manufacturers indicate that some of their skilled personnel will be looking for a new adventure with the submarine contract. Given the present difficulties, if the current boom in metal manufacturing continues, there will be a severe shortage of skilled labour in a number of areas. I would appreciate the Minister's providing those figures and I will be talking to the Engineering Employees Association about the impact on local industry.

**The Hon. L.M.F. Arnold:** After a period of year-by-year decline in the number of apprentice trainees in the metals industry, from 1981 to 1986, in the past two years we have seen an increase. We have also seen two years of increases in the electrical arena, which had declined progressively from 1981 to 1986. That is partly a response to the kinds of pressures that we would expect from such projects as the submarine project.

**Mr S.J. BAKER:** There is a four or five year lead time with some apprenticeships and the problems will occur before the increased number of apprentices come on stream. From page 179 of the Program Estimates I note that 1 659 jobs will be created as a result of the department's incentive programs. How was that calculation made?

**The Hon. L.M.F. Arnold:** These positions are provided under the Development Fund. As I said earlier, that fund is performance based so that, when an agreement to provide assistance is entered into with a company, it is understood that in the vast majority of cases, with some exceptions, assistance will not be provided until certain performance objectives have been met. For example, that component of Development Fund payments which goes towards wages of the company (and up to 7.5 per cent can be applied to wages) is not paid out until people are actually on the payroll and have been so employed for some months; in other words, it is back paid. Up to 5 per cent capital assistance may also be the subject of a performance-based agreement. We are able to test that figure because companies come back to us and say, 'These are the number of people we have put on and there are the pay sheets if you wish to see them'. That is how we can arrive at such an accurate figure. I will ask Mr John Frogley to comment.

**Mr Frogley:** Much of the assistance that we provide under the South Australian Development Fund would have some impact on employment but it might not be directly and objectively measured. Those figures relate only to that assistance measured where there was a clear employment performance criteria and they are based on the number of jobs estimated at the time the assistance was provided and the number of jobs actually created at the time that payment was made.

**Mr S.J. BAKER:** I refer to overseas trade promotion (page 180 of the Program Estimates). The Minister closed the Los Angeles office. Can he explain what was wrong with that office? I note that, despite the closure of the office, expenditure went over budget and will increase in the forthcoming year. We have heard recent reports about our wine sales achieving new heights in America. In the metals area, we have been doing more and more trade in America which is sending some of its processes off-shore to Australia because of the dollar advantage. What went wrong with Los Angeles; why are we doing no trade promotions in America despite the fact that the indications are that America is very receptive to Australian products; and why did the budget run over when the the Los Angeles office was closed?

**The Hon. L.M.F. Arnold:** The original decision to establish an office in Los Angeles was made on the basis of an assessment in 1985 and early 1986, that to optimise South Australian industry's access to offsets opportunities, particularly with respect to the defence industry, we needed to have somebody on the ground in Los Angeles where much of that industry is headquartered. We joined with other States in doing that.

The climate changed. That office, which was originally primarily a defence offsets procurement attraction office, found that its workload was changing to address trade and investment inquiries. It did not do as much work on the defence procurement side because the Australian end changed

significantly. New arrangements were put in place as a result of changes introduced by John Button in procurement off-sets policies generally. Much more work was being done in Canberra where we have provided support by way of consultancy. It became clear that we were not best placed in Los Angeles to do this kind of work and that we would be better off putting the support into contacts in Canberra. So, Orm Cooper's brief changed from what we originally thought would be his main brief. Orm Cooper is a very able person with particular expertise in the defence arena.

With regard to the trade and investment arenas, it was not felt that the maintenance of the Los Angeles office was the best way to assist trade promotion to the United States or investment attraction from the United States. It is true that Los Angeles is the second largest financial centre in the United States, but it was not the best placed to attract investment. Orm Cooper found that he had to spend an enormous amount of his time on the road in the United States.

We then pitted that situation against the cost of running the office which, over the past 2½ years, amounted to \$864 000. It is running now at an annual cost of \$450 000 to \$500 000. So it is a very major input. We had to determine whether that was the best value for those dollars in terms of getting the best trade and investment opportunities for South Australian industry. It was our considered judgment that it was not and that we would be better placed in using Orm Cooper's considerable talents in South Australia, and that is what we propose to do. South Australia is not the only State which has made that decision; New South Wales recently announced the closure of its Los Angeles office. We will be using savings from Los Angeles to, amongst other things, increase support to our other overseas activities. In other words, it will still be targeted at trade and investment promotion for South Australian industry but not through an office in Los Angeles. We also believe that we will be able to take better advantage of the Austrade facilities which exist in Los Angeles and which are sizeable.

**Mr S.J. BAKER:** The Minister did not explain in his answer why the budget had run over in 1987-88 despite the savings that were effected. The Minister also failed to respond to that general principle that not only do we not have a presence in America but also we do not even have any trade promotional segments from South Australia scheduled for 1988-89. Is South Australia saying that we can use the national facility but that we do not believe that any investment in America is appropriate?

**The Hon. L.M.F. Arnold:** Let us put this in the context of what is being decided. In a moment I will ask the Director and David Mitchell to comment on particular aspects of that question. It is not a case of saying that we do not believe there is any potential. What we must do with the resources available is make sure that we get the best value out of the dollars that we have. For example, as the honourable member would agree, we could not make a decision to target 161 countries. We must therefore ration out and spend our resources accordingly.

One has to determine what the Government can do with its taxpayer supplied dollars in addition to what private industry is already doing or could be doing of its own volition to attract investment or promote trade. It is on that basis of rationing out between the 161 countries of the world and of determining what the private sector already is doing or realistically could do on which we have made our decisions to target the markets that we have targeted.

One proposal put before us was from the automotive panel of the Manufacturing Advisory Council, which suggested last year that we as a State Government should

jointly fund with the industry an automotive representative in Michigan. We expressed some interest in that, but the final agreed position between the industry and the State Government was that that would not be a good use of funds because activities were already taking place. Austrade was working sufficiently with its representative based in Chicago, and the industry itself had its own mechanisms which were quite sufficient. There was, therefore, no need for a State taxpayer funded facility in Michigan for the automotive industry.

It is really, then, a case of our asking where our priority markets are. We are not saying that the US is not a priority market for South Australian business, because it is. We are saying that it is being attended to by the Federal Government's participation through Austrade, which is giving our industry sufficient attention in these matters. The automotive industry, for example, is receiving good support in that area. Secondly, it is also well represented by the industry's own activities at the moment. We think we need to do more work with taxpayers funds in the markets that we have identified for priorities. I will now ask the Director to comment.

**Mr Hartley:** As the Minister said, in effect, this is all about the focus of resources. It does not matter how many resources one has—and South Australia is a small State which does not have unlimited resources—but how one focuses them, rather than having a shotgun approach. We have decided that our focus, with small resources, is South-East Asia and East Asia, and we are making a target attack in one region where we can concentrate our limited resources, rather than trying to focus them all around the world. We do not have any promotions or direct representation in many other markets, either.

If we started to try to cope with other markets, such as the newly opening markets of Russia, Germany, France, Italy and India—which is a very interesting country for South Australian investment—we would get nowhere, so we have decided to focus only on one. However, the US market is so huge that even Austrade finds it very hard to cope. I would guess that Austrade has between 100 and 200 staff in the US. It is such a vast place that to try to operate effectively from one or two locations—in our case, from one location, such as Los Angeles—is just impossible, whereas in Japan, for example, which is a discrete market that we can put our arms around, we can effect things. We therefore rely on Austrade as much as possible. I will now ask the Director of Administration and Finance to answer the question about the budget.

**Mr Mitchell:** I think the honourable member is probably referring to page 44 of the white papers in terms of the cost overruns, which are not really all that significant. They fall into about four or five different elements, being wage and salaries which, primarily, relates to the office staff in Adelaide. During the year we had a reorganisation of the department with additional staff being added to the Trade Branch. Their salaries were then picked up under Trade Promotions whereas previously they had been allocated to investment attraction. That accounted for \$20 000 or \$30 000 of the difference.

Also during the year, the minor administration budget that the Trade Branch incurs had a reallocation to the extent of about \$14 000 just to cover incidental costs of trade promotion activities. As far as the Los Angeles office is concerned, there were no savings last year because the closure will not take place until January or February of next year. Even then, there are some forward commitments, so the savings will not accrue to the budget until next financial year.

**The Hon. L.M.F. Arnold:** In fact, \$40 000 will be saved there.

**Mr Mitchell:** Yes, but that would be reallocated to other programs.

**Mr S.J. BAKER:** I think Mr Hartley's explanation that America is huge is quite correct, and having an agency is perhaps not necessary. One must remember that the American firms are gearing up for an inward thrust, when the ECC chains come off in 1992. There are some marvellous market potentials in Europe as well as in the American markets, but any national authority pays very little heed to South Australia, as I know from having talked with certain officials overseas. Somehow we must develop our own strategy for making our presence felt in the areas in which we do very well.

**The Hon. L.M.F. Arnold:** As far as the European situation goes, one point must be noted. The South Australian Agent-General's position in London which, historically, has been a UK focused operation, is no longer seen as such, and Geoff Walls is closely monitoring the situation throughout Europe and participates in some activities in the rest of Europe. Of course, Europe is also a very large and complex market, but he sees his role as having eyes and ears on Europe and the whole of the European market, and we receive the benefit of that change of focus.

**Mr Hartley:** The EEC has a commissioner in Canberra at a very high level. He is a Danish national, and we have had quite a few discussions with him as to how South Australia could capitalise on the opportunities that will arise out of the united EEC market developments that will occur over the next five to six years. There are some interesting possibilities for the State, but all our comments relate to how many countries we can concentrate on and how many countries we can afford to have people in.

**Mr S.J. BAKER:** I have one or two questions still, but I might put them on notice.

**The CHAIRMAN:** I originally intended to leave this line open, unless that upsets the Minister's plans?

**The Hon. L.M.F. Arnold:** If it assists the member for Mitcham, I am happy to have him ask questions now. We will not answer them, but will respond by 7 October.

**Mr S.J. BAKER:** I will list the questions I have here, and they could take some time to explain. They are as follows. I refer to the mention on page 178 of the school industries link: what program has been developed in that area? The processing of agricultural products has been looked at in part, but why was the Department of Agriculture not the primary force in this and the Department of State Development and Technology simply not involved?

What progress has been made on the National Gallium Arsenide Centre and the National Foundation for Medical Laser Technology? I visited the Laserex premises and saw some of the marvellous things that they are doing there. How does the Department of State Development determine who are appropriate strategic investment partners? What were the areas of infrastructure needs that were being considered under regional promotion for industry in rural areas?

**The Hon. L.M.F. Arnold:** I undertake to provide the honourable member with answers to those questions. However, I would like clarification of the honourable member's question in relation to strategic investment partners.

**Mr S.J. BAKER:** There is a note on page 178 of the Program Estimates about strategic investment partners. We have heard about Dominguez Barry Samuel Montagu. However, in terms of strategic investment partners, I presume that they are to assist local firms. My particular interest is in the people who were being sought to provide, one would

presume, equity capital in areas of need? What criteria are being used by the department?

**The Hon. L.M.F. Arnold:** We will provide those answers to the honourable member.

**Mr LEWIS:** My questions relate to the regional development of South Australia and, in a parochial context, those communities that I represent which, apart from Murray Bridge, are small rural towns. Those communities need a great deal of assistance, but not in a patronising way. In the last census it was clearly demonstrated that household income levels in those communities are way below what, for instance, a single mother with one child would get if she lived in metropolitan Adelaide. However, to my mind, the sociological environment is very desirable because the majority of people in those areas are all in this peer group and tend to dispose of their personal resources in a way that reinforces the community.

The cost of living there does not impose the pressure to keep up with the Joneses because there is not the money to do that, anyway, and there are not many Joneses around. That sets the sociological scenario as an ideal place for people, especially young people, to stay and live, if only we can create employment opportunities for them in the communities in which they have grown up and in which they can continue to live. Any further migration from those communities will destroy them—they are on the point of breaking down.

There is one organisation which I have mentioned to the Minister previously, which I have had a fair bit to do with and which I encouraged from the outset. The organisation is MEDO—the Mallee Enterprise Development Organisation, which established itself in the region of five district councils; Brown's Well, Pinnaroo, Lameroo, Karoonda East Murray and Peake. MEDO is seeking to establish a publicly-owned, regionally controlled company—regionally controlled in the sense that the public will elect board members from within those district council areas in a fashion which will ensure that the control of the company could never go outside the region. Therefore, MEDO would establish a public company that would be similar to an MIC.

I know from speaking to district councillors that there is no antagonism to the scheme. Indeed, everybody to whom I have spoken is strongly supportive of it. What we are seeking is a 50-50 subsidy for the initial establishment costs of that company, given that the district councils will provide that support for the proponents of the company. I want the Minister to understand that I have no qualifications on my support for that company in the framework that I have described—it is unconditional. Will the Minister give prompt and favourable consideration to the establishment of this regionally controlled MIC, which can then go on and incubate entrepreneurial ventures within those communities, thereby providing an employment base, not just for the entrepreneurs but also, in future, for other residents of those communities?

**The Hon. L.M.F. Arnold:** I certainly agree with much of the philosophy that the honourable member has put before the Committee today. His explanation has echoed his repeated statements to me about his commitment to and support for MEDO. The MEDO proposal sounds very interesting, and we would certainly consider any proposal. However, it would, of course, need to have a sustainable business plan connected with it, and it would have to be within a ball park figure that we could financially afford to dedicate to that group of five councils. As that proposal is further worked through, I would certainly be prepared to look at and consider it.

The honourable member is probably well placed to correct me, but I believe that we have given a small amount of money to MEDO through the Small Business Corporation. We do give small amounts of money to establish regional development committees. For example, we have allocated money to a number of other parts of the State. I do not know to what extent MEDO sees itself as the equivalent of a regional development committee for the Murraylands. If it were such an equivalent regional development committee, it would automatically, to my mind, be eligible for a small amount of money. We will investigate that question if it has not already been picked up somewhere else in the system.

With regard to the philosophy put forward by the honourable member, namely that it is better to stop migration from rural areas to the cities and that it is better to establish in the area industries which do not have to be patronised but which are, in fact, self-sustaining and can get a momentum for themselves in the ordinary commercial environment, I certainly agree. The figures that I quoted in answer to a question from the member for Mitcham earlier today about regional development certainly attest that we are directing moneys into regional development. I refer the honourable member to those figures.

**Mr LEWIS:** We are not looking for hundreds of thousands of dollars as has been invested by the State Government in somewhat similar ways, for example, in the Riverland Regional Development Organisation. In this case, MEDO has already advanced to the stage of drawing up its articles, and it will become the umbrella organisation. Through the coercive power that it could have with financial institutions, like banks, in which it invests some money, it could then get them to give reasonable consideration to each of the venture proposals put to it and could keep the interest rate down to the point where it is reasonable and where it would have a chance of success. It would also provide some seeding funds for a variety of ventures to ensure that, by spreading the risk among a number of individuals and ventures, it did not fall in a heap.

For one venture which has not been tried before in any community, let alone a rural community, it is too much of a risk for any one financial house to give reasonable commercial rates. If ventures are together under one umbrella we have the incubator concept, and that can work if we enable it to do so. Public confidence to subscribe to the shares would be dramatically increased—and this involves those established families who have made money out of farming in the past and who have sought to invest money off farm back into the community in which they have lived and in which their offspring and relatives now live. This would be the result, if one could just get this subsidy to begin with. That is the background of this position up to this point.

**The Hon. L.M.F. Arnold:** The proposal, although sight unseen, sounds very interesting, as put by the honourable member. I know of MEDO and its work, primarily through the communications that I have received from the honourable member but also from other communications I have had directly from it. We will certainly look at this proposal with interest when it is put before us, and within our capacity, and within its own inherent viability, in terms of the plan that is brought forward, we will consider what support we can give.

**Mr LEWIS:** I refer to a matter raised by the member for Mitcham earlier, concerning the anticipated increase in demand for people with skills in the metal industries area, which will occur here in South Australia as a consequence of the increase in the number of people employed on the

submarine project. This will also occur on a national level in the arena in which recruitment is taking place for the construction of frigates by the Navy. Does the Minister see a danger in allowing an industrial dispute—and this involves a sort of technical industrial dispute—between the employers in those two specific projects and the unions in the metal industries, which would result in an increase in pay rates to workers in the metal industries unions to the point where, instead of expanding our employment in the metal industries, we will simply shift skilled tradesmen and experienced functionaries out of existing enterprises into those two new enterprises, as a consequence, killing off the enterprises in which they are presently working, where margins will not be big enough?

Surely, we need to ensure that both the employers and the unions understand that that would be not only irresponsible and selfish of them but very detrimental to the great opportunity that we now have to expand the employment base in the metal industries, by retaining those wage rates at about where they are relative to the rest of the community instead of improving them as against the rest of the community. We would thereby keep the industries which we now have and which are still viable in the existing cost structure, while expanding the jobs that come with these two new projects—the submarine project here in South Australia, and elsewhere in Australia, the frigate project. Is that not a reasonable proposition?

**The Hon. L.M.F. Arnold:** The honourable member is correct to the extent that the impact of a shortage of skilled labour as a result of the submarine contract would not be felt by the Australian Submarine Corporation; it will simply take what it wants from the marketplace. If necessary, if the supply/demand graph requires it, the corporation will pay more and thereby attract workers from other firms. That shows then that the skilled worker shortage factor would be felt by the rest of industry. The principles involved in the member's argument are correct. The question has been examined; and it is not the assessment of all of those who have done work in the area that we are facing a skills shortage as a result of the submarine project. I hope this will become evident from the schedule of labour that has been requested by the member for Mitcham. We are monitoring this matter very closely—not just in the Department of State Development but also in the Office of Employment and Training and the Office of Tertiary Education.

If the supply/demand graph is such that the supply is not sufficient to meet the demand, in terms of just South Australia, one outcome would be an upward pressure on wage rates. We presently have a wage advantage over other States. Of course, another possible way to bring about stability would be to attract to South Australia more people from interstate. I think that that would be just as likely to occur.

However, we are looking at this matter very closely. I believe that the union movement itself has been very supportive of developments in this industry. It does not wish to kill off the goose that laid the golden egg, so to speak. The very fact that the union movement has over recent years accepted cuts in real wages in this country is indicative of the fact that the majority of unions realise that restructuring must occur and that there is a price to pay—and the unions have been prepared to pay that price. Of course, what happens in this situation is beyond the direct control of the union movement, employers, or the Government, if a supply/demand situation gets to the point where simply the marketplace sets its own price in relation to prices that are bid. At this stage our advice is that there is not the likelihood of a major problem in this area, but, as I have

said, we are monitoring it constantly, and if it turns out that there is a problem we will have to further look at it.

I now turn to another matter. Concern has been expressed about the loss rate of motor mechanics from the automotive repair industry. I am not sure quite where the truth lies in this matter, but one argument that is sometimes put by the union movement is that there is a loss in the motor mechanic industry because wage rates are not sufficient and workers in that industry can get better jobs elsewhere outside the motor industry. So, the community and the industry put in money to train apprentices in the motor trades, but then after having worked for two years, or whatever, those employees leave the industry and create a shortage—and the reason for their leaving is that they can get better wage rates elsewhere. In that situation wage rates creep up to match what the market is indicating that those workers can get for their talents elsewhere in the marketplace. I have digressed there, but there is that counter-argument that in some industries sometimes wage rates are comparatively too low.

**Mr LEWIS:** I thank the Minister for his explanation, and I reinforce the remark that he made in giving my own perceptions of what is going on in the motor repair industry. Now, not only are more recently made cars going longer on existing parts with which they were manufactured but we also have gross incompetence at the middle management level in that service industry, where costs to the consumer, at well over \$30 an hour, are considered by consumers to be inordinantly high, when one takes into account the poor wage rates that are paid to people who are putting the stuff together. The two factors responsible for that are the poor organisation at work and output of work in the workshop itself and the general level of maladministration at the workshop.

Perhaps in another line we can tackle how we can improve the standard of management of personnel and parts in the workshop; middle management is the problem in that service industry, which could employ thousands. At present some of those poorly paid mechanics work in a backyard at home or they work after hours from a friend's garage or in the street to earn extra money. Such practices, while not necessarily detrimental to safety, are not desirable. If we could improve the situation in middle management in the industry we could go a long way towards creating greater confidence.

**The Hon. L.M.F. Arnold:** The MTIA is aware of the changes needed; it has been responding positively. I recently opened its skill centre, which addresses not just trade training needs and ongoing post apprenticeship needs to take account of changing technologies but also looks at middle management questions and the support they can offer to people in the industry. I congratulate the association on taking that kind of approach.

**Mr LEWIS:** I refer to page 173 and the heading, 'Encouragement of investments', dealing with advice and assistance to industry. Some industries in South Australia have been established by people with nothing more than a capacity to think laterally and a willingness to work to identify a market niche and supply goods and services to it. Those same people, who have been innovative, do not always realise that they have an export market for their goods. Services tend to be dealt with by AACM and Sagric

I refer to an instance where the Minister's department could help with advice on how to secure such a business. I refer to Champion Tails (I am sure the company will not mind my mentioning it), which takes ordinary horse hair from knackereries. It has developed a craft, registered the design and copyrighted and patented part of the process

involved in making artificial tails out of horse hair from horses tails for showing purposes. The appearance of the animal overall is enhanced by the tails being plaited in on the butt and additional hair put in manes.

Following a small advertising campaign earlier this year the company has received a dramatic increase in demand. The advertising was also circulated in New Zealand but the New Zealand Government, despite supposed closer economic ties, whacked a heavy tax (an impediment to trade) on that product. More for bureaucratic convenience than anything else, a heavy impost is imposed on the product which makes it difficult for the horse tails to get into New Zealand, despite the fact that horses cross the Tasman in both directions frequently, especially for the Spring Carnival in Melbourne. This company has nearly been sent broke because of an assignment already on the water before advice was received, and how the New Zealand Government could do that is beyond me. Does this program to which I refer provide assistance to people on a Government to Government basis to help small business get other agencies to come to their senses and strike a fair approach?

**The Hon. L.M.F. Arnold:** The Trade Development Section of the Department of State Development, whose Director is Hugh McClelland would certainly be able to advise firms and, where considered appropriate, would recommend to the Director or me as Minister that action should be taken to argue a case and intercede. We have done this before, either with the Federal Minister with respect to Australian trade relations or with respect to trade policies of other countries.

The most recent example of such action is in respect to the supply of chips and the shortage of computer chips at present. That office would be available here. As to other places that people go to seek support, one is the Adelaide office of Austrade, a sizeable office staffed by 28 people, which would also be able to assist. That is its job: to assist with export industries.

I could also mention that State Government support for export includes the export bridging finance scheme, whereby we can advance the money pending repayment by the Commonwealth for the export development grant scheme. At present we are trialling, in conjunction with the Small Business Corporation the Export Express Program—a fast track export program—for small business exporters and we are also developing support services again in conjunction with the Small Business Corporation and through the centre for manufacturing, the National Industry Extension service. I am not able to comment further on this horse hair issue and its place in closer economic relations—the CER relationship with New Zealand. Now that it has been raised, perhaps we can make inquiries and provide him with advice that he can give to his constituents.

**Mr LEWIS:** I turn now to the somewhat related saddlery area. At present the cost of manufacturing saddles in South Australia makes them very competitive on world markets, especially given the skills required for the saddlery and leathersgoods industry. In fact the South Australian product has a reputation for outstanding quality. However, the industry has two problems: first, it does not want to price its goods out of the reach of people who have a market in South Australia; and, secondly, those prices must be such that it allows sufficient cash flow to permit the necessary market research with respect to where the product will sell.

The final aspect is that, even though it pays well and could be a good cottage industry, we do not seem to be able to attract those who are unemployed or unhappy in their employment to train themselves through TAFE in the skills of leathersgoods and saddlery. How can we address that

problem? It is necessary to analyse the options and opportunities within industries in the holistic sense. I believed that that was possible when I first noted and applauded the fact that State Development and the Department of Technical and Further Education were to come under the one portfolio. Is the department developing that holistic approach to the analysis of opportunity and the development of skills?

**The Hon. L.M.F. Arnold:** Certainly, that is our target. The lines of communication are much stronger now between State Development and the Government's education and training arena. For example, in the TAFE sector more and more inquiries are being received about the economic development impact upon training. So we are making sure that, when new courses are developed, we are as responsive as possible.

With respect to saddlery, I have previously spoken to the honourable member about offering a course. If I recall accurately, there has been insufficient demand—certainly at Murray Bridge—for us to run a course. I think that that was the problem previously, and I feel the honourable member's comments reinforce that. However, I should be able to obtain an update in relation to the saddlery course by this afternoon when we deal with TAFE.

State Development would like to receive inquiries from companies that want to test the feasibility of exporting when its own cash flow will not give it the funds to do that. It may be possible for small amounts from the development fund to be allocated to assist in some market research. That capacity exists, but it is not a blank cheque and there is no guarantee that it will be paid but, if a good case can be argued, we will provide some support. For example, it could be in the form of an interest free loan over a long period or it could be funding which ultimately is not recouped. However, we would be prepared to consider such an application.

**Mr LEWIS:** Can we adopt the approach of an inquiry from a prospective exporter who says, 'Is there an export market that I can get into and, if it is suitable, how do I identify the best one, what procedures should I follow and where are the resources available to me now which I could access through Austrade.

**The Hon. L.M.F. Arnold:** Hugh McLelland, the Director of Development, often gives that sort of advice, and he would be the first person to contact in this regard. I repeat the point that the Adelaide office of Austrade is well capable of providing that advice, but Hugh McLelland is the person whom I would recommend for the initial contact.

**Mr LEWIS:** But Austrade requires that a package be presented in a form that is acceptable.

**The Hon. L.M.F. Arnold:** I cannot comment on that. It is another level of government and another agency but, if that is the case, we are certainly much more flexible than that.

**Mr LEWIS:** I thank the Minister for his efforts and express my disappointment at the lack of response to the efforts that were made to provide people with training. After all the publicity surrounding his remarks and my own approaches, only three people (out of all those who are unemployed) registered an interest in this course with the Murray Bridge TAFE. The same thing applied with respect to inquiries that I made about the lapidary industry. We have a gem corporation that cannot obtain suitably qualified people who are prepared to study and obtain instruction (which is available) in cutting South Australian opal worth hundreds of millions of dollars, so, in the main, that industry has gone offshore. I wonder whether we could try to attract some of it back to South Australia. We could also

support what the gem corporation is doing through the Minister's office by publicising these kinds of opportunities.

*[Sitting suspended from 1 to 2 p.m.]*

#### Membership:

Mr Robertson substituted for Mr Groom.

**The Hon. E.R. GOLDSWORTHY:** I received a telephone call from a lady whose husband invented an overload device that can be used on electrical implements and devices so that they will not burn out. I am sure that the Minister has heard of this, because she told me that they have been everywhere. She said that they had spent \$51 000 and four years developing this device but no manufacturer in Australia is interested in it. They went to Technology Park, but they were told that it could not help them; they approached State Development and were sent to the Small Business Corporation, which said that they were not eligible for any assistance; and they approached the UTLC, which said that it was very interested and would support them. Then somebody from State Development became interested, and I think they sent all their gear to the Minister. Is there any help for people like this?

**The Hon. L.M.F. Arnold:** During the past few weeks I have received documentation from them, and they had tried to contact me at my electorate office as well. Since receiving the documentation I have asked all the agencies—Technology Park, the Adelaide Innovation Centre, the Small Business Corporation and the Department of State Development—mentioned in the correspondence sent to me as having had something to do with it until now to provide me with a report on what happened. To date I have received a response from the Small Business Corporation and I am awaiting responses from the other agencies.

In advance of the formal reports from each of the agencies, the assessment seems to have been that the invention has merits in terms of technological innovation but that it does not seem to have commercial application. Essentially, if taxpayers funds are used through, for example, the Development Fund or through any of the other avenues of support, we really have to target what are commercialisable activities—and that is a report in anticipation of the more substantial reports (which I expect within the next few weeks) from these agencies. I anticipate getting back to the woman who sent me the documentation soon after that.

I do not want to raise expectations as the generalist advice is not very positive. I am ensuring that every aspect of the inquiry is thoroughly examined to make sure that fairness is applied.

**The CHAIRMAN:** There being no further questions, I declare the examination of the vote completed.

Minister of State Development and Technology,  
Miscellaneous, \$9 683 000.  
Works and Services—Department of State Development  
and Technology, \$1 410 000.

#### Chairman:

Mr D.M. Ferguson

#### Members:

Mr S.J. Baker  
The Hon. E.R. Goldsworthy  
Mr I.P. Lewis  
Mr M.D. Rann  
Mr D.J. Robertson  
Mr P.B. Tyler

**Witness:**

The Hon. L.M.F. Arnold, Minister of State Development and Technology.

**Departmental Advisers:**

Mr J.D. Cambridge, Chief Executive Officer, South Australian Centre for Manufacturing Proprietary Limited.

Mr J.A. Gniel, Development Coordinator, Technology Park Adelaide Corporation.

Mr D.M. Mitchell, Director, Finance and Planning, Department of State Development and Technology.

**The CHAIRMAN:** I declare the proposed expenditure open for examination. I refer members to the Estimates of Payments page 70 and the Program Estimates pages 174 to 182; and the Estimates of Payments page 176 and the Program Estimates pages 174 to 182.

**Mr LEWIS:** Page 479 of the Auditor-General's Report records the fact that revenue of \$270 000 was obtained from the sale of 9.9 hectares of land in relation to Technology Park, but the cost was \$282 000. What is the reason for the difference?

**The Hon. L.M.F. Arnold:** I will take that question on notice.

**Mr LEWIS:** There is a mismatch between proceeds of rental of \$1.117 million and the total costs. The mismatch amounts to \$3.409 million and it illustrates the point that, from the Government's point of view, TEPAC is not viable on a straight out cost revenue basis. However, other benefits are supposed to be derived. Is it envisaged that it will ever be profitable and, if so, in what time frame?

**The Hon. L.M.F. Arnold:** At this stage, I am not able to provide more information on the land sale question, but we will provide that later. As to the general income and expenditure statement of TEPAC, there are two basic cost elements and the first is promoting the site as a site for location and peripherally promoting South Australia as a place of technological expertise.

A number of the elements under its budget do that, and the marketing budget is an example. Some of the consultancy work and administration expenditure, including salaries and wages, is associated with that. A sum of \$30 000 will be provided to the enterprise workshop. There is also the teaching company scheme. All of that is a pro-active promotional stance that costs money.

The other cost element of Technology Park is its real estate element, comprising the multi-tenant buildings, which it rents out and runs, and land sales. With respect to the promotional side, one would expect that, with respect to Technology Park Adelaide, at the Levels, those activities would decline in relative terms in the years to come as the park gradually filled up although, if further activities relevant to Technology Park Adelaide could be promoted, that would bring its costs back up. It is certainly expected that the park will cover its real estate costs or even return a profit.

The park is starting to reach that return basis on its multi-tenant facilities. Innovation House, which is the oldest of the multi-tenant facilities, has 15 organisations accounting for 93 per cent of the leasable space and it is now returning more in rent payments than is paid out in servicing on the capital required to construct Innovation House. That has now broken into the black, including other costs of running the building.

**Mr LEWIS:** Is it straight cash reconciliation?

**The Hon. L.M.F. Arnold:** Yes. As at 30 June, Innovation House West was 79 per cent leased. That figure is not sufficient to return on a cash reconciliation basis, so there

is still a small net drain. The figure will appear in the annual report, which I will table in Parliament in the next six weeks. Endeavour House has two components. One is the component that has been completed for some time and, at 30 June 1988, 56 per cent was leased with a further 9 per cent under option, and negotiations for the remaining area are under way. For phase two of Endeavour House, the extension that was completed in March and opened by the Premier, one of the four new modules, which represents 30 per cent of the leasing space, has been fitted out and occupied and negotiations are under way for the remainder.

We expect that the real estate side will cover its costs, at the very least, and perhaps return a small amount to help with the administration costs of the other aspects of Technology Park Adelaide. The other aspects will continue to draw upon the budget by means of a Government grant required to meet those promotional activities.

**Mr LEWIS:** Can the Minister provide lists of tenants and employment at the park for the past two financial years, including a breakdown for Innovation House and micro-electronics in a separate category?

**The Hon. L.M.F. Arnold:** We will certainly provide information in a tabular form by 7 October showing, for the past three years, employment in aggregate and the names of individual companies, although it will not show employment because that might be too difficult to get in a retrospective sense. That table will show that, in June 1987, approximately 500 people were employed in about 41 companies at Technology Park.

In June 1988 the figure was down to 38 companies but the employment had risen to nearly 650, and the projections are that by June next year, 750 will be employed at the site. The tabular statement will also give what the corporate plan expects to be the number of companies on site by June next year. We do have that information, but, I do not have it with me now.

The reduction in the number of companies needs some explanation. First, it is against a backdrop that the net employment at the whole site has risen by about 150. It is not simply explained by a drop of three. A drop of more than that is offset by an increase in new companies coming on site. Part of the drop is accounted for by companies that have been restructured by being taken over by other companies. FSTI (Forensic Science Technology International) is now part of Business Systems. Santech has itself been overtaken by SAMIC, although Santech is now into liquidation. Werner is another company that has left the site, as has Masterpak, although it has relocated with its principal company, Elrington and Associates which was based in the city centre.

So, it may be acknowledged that three companies went into receivership but, given the fact that last year's October stockmarket crash had a severe effect on high technology companies, we think that Technology Park and the companies there survived remarkably well from that crash. Again, it is against a backdrop of a significant increase in employment at the site. That tabular statement will actually name the companies that have been there each year for the past four years.

**Mr LEWIS:** We acknowledge that Technology Park, as an umbrella innovation, is functioning in much the way all of us hoped it would. We also acknowledge, too, that if you send out scouting parties into the unknown a few of them will not come back, and that is what has happened with some of the ventures. It is just a part of the state of nature.

**The Hon. L.M.F. Arnold:** The maturity of Technology Park is attested to by the fact that it has reached the stage where some companies can disappear from the corporate

scene and the park itself is not made more vulnerable because of that. It does see companies come and go. Hopefully, a very high percentage come and stay.

**Mr LEWIS:** We find no mention of funds provided for by a Technology Park concept. When will that proceed, given that we have in many respects the outstanding research skills and knowledge here in South Australia to make such a concept viable? Rather than see them in fragmentary form wander off into the wilderness to be taken up into the herds of other Governments who want more cattle that are unbranded, we would like to see something done in South Australia in that regard. Does the Government have a time-frame on that policy?

**The Hon. L.M.F. Arnold:** We continue to support the commercialisation of biotechnological research by means of a biotechnological promotion committee under the chairpersonship of Dr Peter McDonald. That committee is still working. As the member has commented, there has been a proposal for a further Technology Park/Science Park facility to specialise in biotechnology. That matter, which would be based in the southern suburbs (the area being looked at is near the Flinders University), is still the subject of examination, and we are not yet in a position to be able to give a public announcement on what progress has been made, although I expect that we will be able to do so in the very near future.

**Mr LEWIS:** In time for the next election?

**The Hon. L.M.F. Arnold:** I would sincerely hope that it is much earlier than that because we have to ensure that we have enough land stock available for high technology companies and to meet some existing inquiries in the marketplace.

I am not saying that they will come to such a site, but some exploratory enquiries have been made and we do not wish them to be lost for want of land. The member for Fisher has actively pushed this concept ever since he has been in this place, and I am pleased to see that what initially was a negative response by all of us to the concept has been turned around to realise that there is a viability in having such a site. However, there are still a lot of t's to be crossed and i's to be dotted to finalise the proposal. Whilst my thinking and that of those doing the examination is that it would have a biotechnology focus, it would not be exclusive to that. Other areas of high technology would also be considered.

**Mr S.J. BAKER:** I suppose that it will not do justice to the many good initiatives that have been undertaken by local government in these areas. I will lump four areas together which I think have been exceptionally successful, namely, the National Industries Extension Scheme; the Industrial Supplies Office; the Manufacturing Centre; and the Small Business Corporation. Having had contact with all those organisations, I am delighted to see that progress is being made on those fronts. If we look at some other countries that have been successful, we see that they have provided that sort of infrastructure 20 years ago and that is one of the reasons why they have been successful. I give the Government credit for its involvement in those areas.

Given that the program estimates do not provide the opportunity for disclosing the major initiatives for 1988-89 in each of those areas, will the Minister briefly outline to the Committee what initiatives he perceives will take place in each of those areas? I am fully aware of where we have been, how far we have advanced and the marvellous progress that has been made on all those fronts.

**The Hon. L.M.F. Arnold:** I thank the member for Mitcham for his question and comments about the initiatives that have been undertaken. The Government has been very

keen to support this project and has noted that it has also received the support of the Opposition. I understand that the member for Mitcham recently visited the site, and I encourage all members to become aware of what is happening at the Centre for Manufacturing, where a number of initiatives are taking place in the national industry extension services that are now coordinated through it.

The proposed major initiatives of the centre for 1988-89 include the establishment of SAMNET and the further improvement of the South Australian Industry Academic Link through a research fellowship scheme. Under this scheme the centre, the Institute of Technology and/or the Adelaide University, will jointly and equally fund three people to undertake a masters degree in engineering, science or computer studies in a program over three years.

The establishment of a jobbing shop will provide the centre with a major demonstration capability and the capacity to earn revenue. The soon to be tabled annual report of the Centre for Manufacturing shows that its income receipts have exceeded budget predictions for the last financial year. There will be another initiative for anticipation of the full utilisation of the centre's resources with respect to conference and seminar facilities. I refer also to the development and maintenance of a comprehensive data base on manufacturing in this State, and marketing of the centre's services through trade journals, the media and the *Manufacture* quarterly publication. The centre recently had its 140th consultancy—a record for any such type centre in Australia. It is just over a year old, so it is an impressive record. It will also restructure the centre's finances to extinguish the existing long-term loan arrangements and develop a strategy to achieve 60 per cent self-sufficiency in funding by 1992. It will make full use of the technical support provided by General Electric out of the GE-SACFM offsets agreement, which was a pioneering agreement in its own right.

It is also proposed to co-ordinate a number of seminars in areas such as CAD/CAM, quality awareness, marketing, materials resource planning, finance and the like, and brochures are available on those courses coordinated through the centre; to train selected Centre for Manufacturing Staff on GE-CALMA software as well as other systems; maintain the 'Centre of Excellence', a concept that the centre is clearly developing, and develop performance appraisal criteria to determine the effectiveness of the centre's operations. They are the proposed initiatives and I will ask Mr Cambridge to comment further.

**Mr Cambridge:** The centre has been approached by a United States firm to become the agent for simulation technology—which is a new technology based on computer hardware—in South Australia. I hope that we will sign that agreement shortly. In addition, we have not given up the opportunity of becoming a focal point, in conjunction with training organisations in South Australia, for the use of laser applications technology, which is so important in the metals trades area. I have just returned from the United States and it is clear that we are not up with the use of these technologies in local industry. To provide that focus and the ability for our companies to be aware of these technologies and to be able to train people quickly is one of the initiatives that we will try to pursue next year.

We have been able to secure in the past month or so the ability to have two of the Fraunhofer Institute engineers from Stuttgart to come to the centre commencing in April next year to work on an exchange basis and to consult with South Australian industry. I stress that the establishment of the South Australian manufacturing network will give a unique advantage to bring industry and academia—especially the Institute of Technology, the Adelaide University

and initially the Regency College of TAFE—into a network around which we can pass customer (meaning industry) issues and provide access for those companies to the enormous brain power of those institutions to have them corporately work on those problems.

**The Hon. L.M.F. Arnold:** The budget for the last financial year was \$40 000 in outside earnings. The actual earnings were \$272 000 or 27 per cent of total expenditure, which is well ahead of budget. The centre is attracting tenants to locate with it. The Standards Association of Australia has its assay office there, and the Industrial Design Council and the Expo expositions have their offices there along with a number of others. I was pleased this week to sign a letter to the National Association of Testing Authorities indicating that we are prepared to make an offer of \$20 000 to help them in consideration of establishing a South Australian office. It is reasonable to anticipate that they might choose to do that if they take up the offer, co-located with the Centre for Manufacturing.

**Mr S.J. BAKER:** We may have to wait for a report from the Industrial Supplies Office, and the Minister has given some philosophy of what has been achieved in that area, but it would be interesting if we could get from NIES, ISO, the Manufacturing Centre and the Small Business Corporation a table on client throughput in the major areas between last year and this year to give some order of magnitude so that we can judge the performance of each of those organisations over a period of time. If the people do not come through the door the organisation needs restructuring or should be changed completely.

**The Hon. L.M.F. Arnold:** In respect to NIES, I am able to anticipate the annual report. In relation to tier one, information sought, 3 000 companies have sought assistance. In tier two, the diagnostic and business planning area, 112 companies have sought help, representing a total cost of \$213 000. There were 30 companies which sought business plan advice, representing \$116 000. In tier three, the specialist technical area, 23 companies were given assistance to the tune of \$85 000.

I have a table showing the breakdown of the companies by industry sector and also by category of employment size. I incorporate that table in *Hansard*.

Sector	Size						Total employees	
	No. of employees	0-10	11-20	21-40	41-80	81-150		>150
Food	—	7	2	2	—	1	12	
T.C.F.	4	8	5	6	—	3	26	
Wood	2	1	—	—	4	2	9	
Paper	1	—	4	—	1	—	6	
Chemicals	3	1	—	—	—	—	4	
Non-Metal	2	2	—	—	—	1	5	
Light								
Engineering	2	11	8	9	—	3	33	
Transport	—	1	2	1	—	2	6	
Machinery	4	12	8	4	2	2	32	
Miscellaneous	2	8	4	3	5	1	23	
Computer	—	3	2	—	1	2	8	
Unclassified	1	—	—	—	—	—	1	
Total		21	54	35	25	13	27	165
%		12.7	32.7	21.2	15.2	7.9	10.3	100.0

The weekly inquiry rate, one indicator of the success of the Small Business Corporation, is running at about 109, which is very impressive, and is second to any other Small Business Corporation equivalent in the country. Only New South Wales is larger, and its figure is only about 140 so, on a *per capita* basis, it is much higher here. The staff of the corporation have a very good system of monitoring their effectiveness. They go back and test some of the people who contact them to ask whether they were satisfied with the

service they received, and they do it on a scale of between minus 2 and plus 2.

Their rating tends to average between 1.2 and 1.4, which is very much on the positive side. They are efficient in many ways. They monitor how long the telephone calls take, how long the consultations take, and it has been a very useful assessment of how they are doing. As to whether or not we could provide a breakdown in the industry sector, I am not sure that they keep that information. If they do, we will obtain that information for the honourable member.

**Mr Mitchell:** They keep it by category of type of inquiry, whether it is manufacturing or retail, but not in terms of sectorial manufacturing.

**The Hon. L.M.F. Arnold:** Whatever information we have, we will have it incorporated in the budget.

**Mr S.J. BAKER:** I have a question about the Centre for Manufacturing. I understand that the Government does not own the land and probably has fairly limited control over its ultimate disposition. Does the Government intend to change that arrangement?

**The Hon. L.M.F. Arnold:** The Centre for Manufacturing, which is organised as a company (in which I am one of the shareholders on behalf of the Government) is a tenant at the South Australian Manufacturing Park, but has the capacity to sublet space. Therefore, it is drawing income from that sublet space. At this stage we do not have any plans to change that arrangement.

**Mr Cambridge:** Only recently we have been faced with an almost 90 per cent rent increase, which has arisen since my return from overseas. I would like to anticipate putting to the Government some proposition for looking at how we might be able to guard against those sorts of increases which I must pass to my tenants, and which could be quite crippling to our trying to provide the focal point for small start-up companies coming in and getting some sort of break early in the process. At this stage I will be approaching the Minister and the Government to look at that proposition.

**Mr S.J. BAKER:** Obviously, a lot of effort has been put into the site with the submarine corporation and other tenants, and it would be a pity if all the effort is raked off by the person who procured the site. My next question relates to offset programs. Mention is made in the budget about procurement. What initiative will the Minister take to ensure that we get the full value from offset programs?

It has been made quite clear to me that the South Australian Government has not taken advantage of offset guidelines issued by the Federal Government and, in the process, it is not taking advantage of the ability to ask that there be 30 per cent sourcing of the overseas component (above a certain value) back into the State. Will the Minister go to the State Department of Supply and analyse the contracts that have been left with a very large import component and those in excess of \$1 million? Having done that, will he then investigate why offset programs have not been taken up in the way that they should have been?

**The Hon. L.M.F. Arnold:** I disagree that the Government is not doing anything in the offsets program. In fact, we have been pursuing the matter. We have an offsets program which operates conjointly with the Australian Civil Offsets Agreement which came into effect on 1 March this year. That agreement was the outcome of the Australian Industry and Technology Council which comprises all States. That ACOA agreement, in the first instance, targeted information technology, whereas the State program that runs conjointly with it targets State purchases with a value in excess of \$1 million. An offset is the requirement placed on suppliers to Government to re-invest 30 per cent of the import value of the contract back into Australian industry.

In March of this year 250 people attended a seminar held by the Department of State Development and Technology to introduce the new aspects of the offsets program to local industry. The procurement branch in the department is the focal point for both Commonwealth and State offsets assistance in South Australia. This matter is being monitored year by year, and the next AITC meeting will determine its success.

With respect to information technology, there has now been a new development alongside the Australian Civil Offsets Agreement; that is, the partnership for development program. This matter was discussed at the most recent meeting of the Industry and Technology Council held in New Zealand in December 1987. The partnership for development program results in agreements between foreign information technology companies and the Federal Government committing those foreign companies to conducting research and development in Australia equivalent to 5 per cent of turnover; and the export of products and services from Australia equivalent to 50 per cent of their imports, with 70 per cent average local content.

At that meeting I, as Minister, on behalf of the Government, said that we in South Australia were certainly prepared to be part of a national initiative that would benefit Australia at large. However, we have been monitoring very carefully whether South Australia is getting its fair share of that deal, compared to the pre-existing arrangements. I have just seen a report printed in one of the computer magazines that a statement has been issued by Federal Government authorities as to how the program has operated in the first few months. I would want to see what that says about what is happening around the country.

There have been some examples of South Australian firms benefiting from the program, but we will monitor carefully whether or not we are getting our fair share. One of the aspects of getting our fair share is whether or not we have sufficient people in the South Australian industry and in the department to be jumping on opportunities. In other words, you cannot simply expect the Federal Government to hand out money if people are not here doing the bidding. That is why we have increased the resources we are committing to that program through the Department of State Development.

**Mr Mitchell:** Within this year's budget an extra \$258 000 has been allocated for additional staffing. Three of the additional staff members will be allocated specifically to the offsets procurement area to increase our focus. That is a significant expansion in the context of the current Government budget.

**Mr S.J. BAKER:** What is the average per capita sick leave taken during 1987-88? What is the average sick leave taken without a certificate, and what is the average taken without a certificate that occurs on a Monday or a Friday? I understand that each Minister is now working on that. Can the Minister give an undertaking to provide that information for each of his portfolio areas?

**The Hon. L.M.F. Arnold:** Yes. It involves some very detailed information, for example, that relating to the Mondays and Fridays. Apparently, the question has been anticipated and work has begun, but it will not be ready by 7 October.

**Mr S.J. BAKER:** In relation to the changeover of Government number plates for Chief Executive Officers, can the Minister say how many of his officers, in all the portfolio areas, will be changing the blue plates for the normal plates?

**The Hon. L.M.F. Arnold:** At this stage the situation applies in respect of the Director of the Department of State Development and Technology, the Director-General of Technical and Further Education and the Director of the Office of Tertiary Education. As to the Director of the Office of Employment and Training, the matter is presently being considered by the Commissioner of Public Employment. In relation to Mr Kevin Gilding, who is doing work for both the Minister of Education and me, and who has the ranking of a head of section, from his role as Chairperson of the Tertiary Education Authority of South Australia, the matter is now being examined by the Commissioner of Public Employment.

**The CHAIRMAN:** There being no further questions, I declare the examination of the votes completed.

Technical and Further Education, \$126 349 000;  
Works and Services—Department of Technical and Further Education, \$4 149 000

**Chairman:**

Mr D.M. Ferguson

**Members:**

Mr S.J. Baker  
The Hon. E.R. Goldsworthy  
Mr I.P. Lewis  
Mr M.D. Rann  
Mr D.J. Robertson  
Mr P.B. Tyler

**Witness:**

The Hon. L.M.F. Arnold, Minister of Employment and Further Education.

**Departmental Advisers:**

Mr P.E.F. Kirby, Director-General, Department of Technical and Further Education.

Mr D.R. Carter, Assistant Director-General, Administration and Finance.

**The CHAIRMAN:** I declare the proposed payments open for examination. In relation to the first vote, I refer members to pages 72 to 74 in the Estimates of Payments and to pages 183 to 196 in the Program Estimates. In relation to the capital works vote, I refer members to page 177 in the Estimates of Payments and to pages 183 to 196 in the Program Estimates.

**Mr S.J. BAKER:** Before asking questions on these lines, I would like to ask the Minister about how successful certain measures were last year. Referring to page 503 of last year's Budget Estimates, I asked a question about central office staffing. The Minister indicated that there would have to be a cut of \$740 000 in central office expenditure in 1987-88 and a further cut of \$1.2 million in 1988-89. Was the cut of \$740 000 achieved in 1987-88 and, if so, where were the cuts made? If not, why not? Secondly, how will the \$1.2 million cut in 1988-89 be achieved?

**The Hon. L.M.F. Arnold:** I table the following statistical table:

**SUMMARY OF CENTRAL OFFICE BRANCHES AND RESOURCES**

**Central Office 1987-88 Budget Savings Strategy**

An analysis of approved savings strategies for 1987-88 and the full year effect is shown in the following table:

Branches	Target 87-88	1987-88 Budget Strategy Achieved		F.Y.E. of Strategies	
		Del Budget \$'000	Salaries \$'000		Total
Equal Opportunities	68.0	—	68.0	68.0	85.0
Internal Audit	2.0	2.0	—	2.0	2.0
Policy Support (2)	72.0	4.5	67.2	71.7	147.0
Publicity	21.9	22.0	—	22.0	24.9

Branches	Target 87-88	1987-88 Budget Strategy Achieved		F.Y.E. of Strategies \$'000	
		Del Budget \$'000	Salaries \$'000		Total
Equal Opportunities	68.0	—	68.0	68.0	85.0
Internal Audit	2.0	2.0	—	2.0	2.0
Policy Support (2)	72.0	4.5	67.2	71.7	147.0
Publicity	21.9	22.0	—	22.0	24.9
Physical Resources	48.5	—	48.0	48.0	78.0
Information Systems	10.0	10.0	—	10.0	10.0
Occupational Health & Safety	2.0	2.0	—	2.0	.0
Supply	20.0	3.0	17.4	20.4	29.4
Administrative Resources	72.1	20.0	62.8	82.8	103.0
Finance and Accounting	44.5	5.0	55.0	60.0	37.0
Personnel Services (4)	—	—	—	—	—
Organisational Serv- ices (4)	—	—	—	—	—
Administrative Serv- ices	33.0	3.0	36.0	39.0	90.0
Personnel Unit	30.0	30.0	—	30.0	30.0
Staff Development	53.0	14.0	48.5	62.5	92.0
Learning Resources	22.0	—	22.0	22.0	22.0
College Operations (2) (3)	78.7	10.0	58.2	42.9	130.3
Curriculum	145.0	56.0	89.0	145.0	180.3
Directorate General	23.0	23.0	—	23.0	23.0
<b>Total</b>	<b>745.7</b>	<b>204.5</b>	<b>572.1</b>	<b>751.3</b>	<b>1 085.9</b>

(1) . . . . .

## Notes

(1) Assumes delegated budget reductions in 1987-88 are permanent

(2) Assumes savings from redeployees are achieved

(3) Strategy incorporates special services

(4) Savings incorporated into administrative services cost centre

The table indicates that the target figures for 1987-88 was \$745 700. The actual achieved in 1987-88 was \$751 300, slightly above target. The full year effect of those strategies identified in the table is \$1 085 900. In addition, in this year's budget process is a further \$265 000 in efficiencies in central office that will take the sum to well over \$1.3 million.

The table identifies all the areas. In the full year curriculum is \$180 000; the second biggest is policy support, \$147 000; the central office component of college operations is \$130 000; administrative resources is \$103 000; and the figures go down progressively.

**Mr S.J. BAKER:** There seems to have been an escalation in the number of public servants in TAFE. The number in central office in 1986 was 224 and in 1987 it was 249. Although that has been reduced, the situation seems to have been transferred to the colleges where in 1986 there were 378 persons and 410 in 1988. My figures show the total number of public servants in TAFE has increased by 43. What is the reason for this increase?

**The Hon. L.M.F. Arnold:** The budget savings that I am quoting are budget savings for the whole TAFE budget. We

are not simply saving by \$1.3 million in central office and increasing college budgets by \$1.3 million. There is a net reduction in the overall budget of non-teaching resources in TAFE. True, there has been an increase in college level Public Service Act employment. A number of those are support staff for the colleges and are essential for improved performance within the colleges.

A number of lecturers (many lecturers in the system) are spending time on non-lecturing duties. One issue that came out of the industrial dispute last year was that we wanted to provide an opportunity for lecturing staff to spend more time lecturing and less time doing administrative work and preparatory work for their lectures.

We are moving towards the creation of assistant lecturers positions, which are not Public Service positions, and towards the employment of more support staff for lecturers which occupy Public Service positions dealing with those administrative functions. The net outcome is that we are getting more hours of lecturing from lecturing staff now that they are freed from an increasing number of responsibilities. Generally, the support staff put into colleges occupy lower paid positions than those that existed in central office.

**Mr Carter:** The support staff increases in colleges also relate to increases in student services. There has been a major thrust in the areas of student child-care and student services officers and some of the funding for those positions and other support staff positions comes from the college community through the college council funding or school funds.

**Mr S.J. BAKER:** I refer the Minister to the Program Estimates (pages 184 and 186); can the Minister provide a list of enrolments by course, that is, the number of student hours, for those vocational areas for 1988 in comparison with 1987?

**The Hon. L.M.F. Arnold:** We will take that question on notice. The number of student hours in 1987 over the whole TAFE system in South Australia totalled 13.6 million; in 1986, just over 13 million; in 1985, 12.2 million, so it has been increasing year by year. We expect the 1988 figure will marginally above the 13.6 million achieved last year and we expect the 1989 figure will be marginally above this year's figure. Those figures include stream five and stream 1 000 courses as well. In the vocational areas, student hours in 1986 totalled 9 043 798 and in 1987, 9 203 085. I do not have an estimate for 1988.

**Mr S.J. BAKER:** It was disappointing that in 1987, 15 000 students could not find a place within the TAFE system. Can the Minister provide an estimate by course area of those courses where the demand exceeded the supply of places and how many students failed to gain access to a TAFE course?

**The Hon. L.M.F. Arnold:** I will incorporate the following two tables:

STUDENT HOURS  
INDIVIDUALS, NOMINAL AND ACTUAL STUDENT HOURS BY STREAM FOR 1982-87

## Individuals

Stream	1982	1983	1984	1985	1986	1987
1	232	229	35	27	—	—
2	31 659	23 506	26 416	24 469	27 874	29 541
3	9 555	10 297	9 318	8 357	9 203	11 125
4	24 972	40 983	30 547	32 070	36 317	28 291
5	38 033	39 098	40 428	35 379	36 059	39 640
6	39 676	39 056	37 251	38 442	38 514	31 903
<b>1-6</b>	<b>144 127</b>	<b>153 059</b>	<b>143 995</b>	<b>138 744</b>	<b>147 967</b>	<b>140 500</b>

## Nominal Student Hours

Stream	1982	1983	1984	1985	1986	1987
1	16 829	1 297	495	256	—	—
2	3 953 548	2 556 695	3 059 384	2 914 527	3 310 271	3 938 168
3	2 507 455	2 354 663	2 305 043	2 140 409	2 612 176	2 772 220
4	1 754 454	3 119 762	3 082 898	3 614 593	3 960 840	3 156 151
5	3 068 452	3 498 099	3 718 466	3 932 596	3 801 859	4 685 291
6	1 356 656	1 164 523	1 086 786	1 201 289	1 032 320	777 026
1-6	12 657 395	12 695 042	13 253 072	13 803 672	14 717 469	15 328 856

## Actual Student Hours

Stream	1982	1983	1984	1985	1986	1987
1	15 385	1 201	488	256	—	—
2	3 441 845	2 229 815	2 623 335	2 575 472	2 943 098	3 570 215
3	2 426 245	2 221 170	2 237 008	2 080 368	2 527 580	2 690 435
4	1 479 736	2 663 233	2 621 753	3 264 729	3 588 006	2 877 817
5	2 397 612	2 826 742	2 872 745	3 228 149	3 093 924	3 790 290
6	1 049 466	963 750	899 468	1 064 222	943 636	716 137
1-6	10 810 292	10 905 919	11 254 797	12 213 196	13 096 245	13 644 894

## 1988 UNMET DEMAND

## Subjects

Program	Full-time			Part-time			Unknown F/T, P/T		
	M	F	T	M	F	T	M	F	T
Vocational	185	384	649	1 466	1 088	2 819	116	105	311
Access	74	100	174	170	422	598	0	0	270
Enrichment	0	0	0	263	738	1 045	0	0	0
Total	259	484	823	1 899	2 248	4 462	116	105	581

## Courses

Program	Full-time			Part-time			Unknown F/T, P/T		
	M	F	T	M	F	T	M	F	T
Vocational	3 526	2 408	5 936	909	837	1 795	241	224	514
Access	59	145	362	108	254	382	0	0	15
Total	3 585	2 553	6 298	1 017	1 091	2 177	241	224	529

## Courses and Subjects

Program	Full-time			Part-time			Unknown F/T, P/T		
	M	F	T	M	F	T	M	F	T
Vocational	3 711	2 792	6 585	2 375	1 925	4 614	357	329	825
Access	133	245	536	278	676	980	0	0	285
Enrichment	0	0	0	263	738	1 045	0	0	0
Total	3 844	3 037	7 121	2 916	3 339	6 639	357	329	1 110

Regarding unmet demand, one has to take into account that a ball park figure would incorporate anyone who has tried to enrol in any course and could not get in, even if they were subsequently admitted to another course. We then have to consider removing double counting where people got a second choice. One of the tables shows that, if we do that by subject, the total unmet demand across all streams—vocational, access and enrichment—was 823 full-time students and 4 467 part-time students. If we do that by course, the unmet demand was 6 298 full-time students and 2 177 part-time students. Each of those figures have to be increased marginally by some figures that could not be easily put into either full-time or part-time groupings.

You then aggregate the courses and subjects and try to come out to some figure that brings the two together. The full-time total unmet demand is 7 121 and the part-time 6 639. That has to be taken against a backdrop of the number of students who are going through the TAFE system

which, in 1987, full-time and part-time, was 140 000. That is a figure of perhaps 11 per cent, if one takes the full-time and part-time course and subject unmet demand against the full-time and part-time total enrolment.

**Mr S.J. BAKER:** What year was that for?

**The Hon. L.M.F. Arnold:** This information is for the 1988 unmet demand, and the honourable member would not have had those figures previously. Some figures in the first table would have been provided previously but the last year would probably not have been.

**Mr S.J. BAKER:** I note on page 184 of the Program Estimates some significant movements in a number of areas in relation to employment, and I presume that that page refers to lecturing employment in each of the detailed areas. There is a downturn in the number of staff provided in the building, electrical and electronics mechanical engineering, paramedical, clothing and textiles, and transport engineering areas, but an increase in the rural and horticultural areas. I

would have thought that some of these areas warranted a very strong input from the department. For instance, for electrical and electronic engineering, the proposed full-time equivalents in 1987-88 were 246 but in 1988-89 the figure is only 213. Whilst there has been a pick-up in what I call the soft subjects (or the more socially oriented subjects) there has been a distinct loss in most of the areas associated with manufacturing. Is there now a lower commitment in the TAFE system?

**The Hon. L.M.F. Arnold:** I will ask Mr Carter to comment in a minute. I understand that the more relevant figure for comparison with the 1988-89 proposed is not as is usually the case for previous years proposed but in this case the actual figure for 1987-88. This is because there has been a change in the calculation method. I understand that this has to do with the way in which the allocation of support costs, as a percentage of salaries, is attributed. Consequently, the proposed figure for 1987-88 concerned a different method to the proposed figure for 1988-89, whereas the actual figure for 1987-88 reflects a closer comparison with that of 1988-89.

**Mr S.J. BAKER:** The Minister is really saying that, because of the way that full-time equivalents are calculated, some of the proposed employment has been apportioned in support areas.

**Mr Carter:** The introduction of a new accounting system occurred at the beginning of 1987-88 which provided the department, for the first time, with an accounting system that brought program management (and the information in the Program Estimates) in line with a direct accounting relationship to the work that was going on in the field. Now the lecturing staff, who are working in these subprogram areas, are actually accounting for their time directly into the accounting system. Prior to the new accounting system that information was one of best judgment—taking some manual figures from staffing effort returns into an accounting system that was designed for the old days when the Department of TAFE (or DFE as it was then) was part of the Education Department. For the first time we are starting to get some more realistic figures in terms of the effort in each of those subprogram areas. The major changes that are reflected are really structural changes. They really reflect better information rather than any significant changes in the employment levels.

**Mr S.J. BAKER:** In the previous year the Minister said that South Australia was well behind the national average in traineeship positions. He also indicated that he hoped that the situation would be redressed within 18 months. What numbers of traineeships operated as at 30 June 1988 in comparison with the Australian figure? Further, could the categories of traineeships which were in operation for that period be provided?

**The Hon. L.M.F. Arnold:** The number of trainees actual in 1987-88 was 543, and for 1988-89 that figure is anticipated to be 1 000. The budget which goes alongside that is

\$381 000 State money and \$977 000 Commonwealth money. For 1988-89 the proposed amounts are \$396 000 State and \$1.8 million Commonwealth. As at 30 June 1987 there were 237 trainees in South Australia and at 30 June 1988 that figure had increased to 727. Given that the training programs are of only one year's duration, this represents an increase in commencements of 300 per cent. The major growth has been in the general office and clerical area, which has shown an increase from 39 to 470. It is also pleasing to note the implementation of new programs in the banking and insurance sectors.

As at 30 June 1988, 78.5 per cent of the trainees were female and in the clerical area that proportion was 82 per cent. As at 30 June 1987 the participation rate equivalents for that were 60.7 per cent overall and 73 per cent in the clerical area. As at 30 June 1988, 90 per cent of those people in training in South Australia were in the private sector. That contrasts sharply with the situation in most other States. Based on total commencements to that date, the South Australian public sector proportion was 26 per cent compared to the national average of 43 per cent. The figure for the private sector in South Australia was 74 per cent compared to 57 per cent throughout Australia.

We make the point that the South Australian supernumerary scheme which exists in the South Australian Public Service has many of the benefits of the traineeship scheme and is not taken into account in any of those figures. In relation to traineeships, I have a table which provides the 1987-88 figures for trainees in training (South Australia) by industry sector and also by training plan and gender. Another table depicts the employers involved in the traineeship system.

#### AUSTRALIAN TRAINEESHIP SYSTEM

##### 5.1 Trainees in Training—South Australia

##### 5.1.1 In Training as at 30 June in Year Shown by Training Plan

Training Plan	1987	1988
<i>Clerical</i>		
Australian Public Service .....	45	57
Local Government .....	4	21
General Office .....	39	470
State Public Service .....	50	1
Credit Unions/Building Societies ..	21	17
State Bank .....	—	41
Commonwealth Bank .....	—	10
Insurance/Life .....	—	17
Insurance/General .....	—	11
Private Hospitals .....	—	7
	159	652
Advertising Industry .....	12	5
Clothing .....	—	15
Footwear .....	—	6
Furniture Removals .....	—	11
<i>Sales</i>		
Retail .....	56	30
Timber Merchandising .....	—	8
Telecommunications Installer .....	10	—
	237	727

##### 5.1.2 In Training as at 30 June 1988 by Training Plan and Gender

Training Plan	Female	Male	Total
<i>Clerical</i>			
Australian Public Service .....	32	25	57
State Public Service .....	1	—	1
Local Government .....	18	3	21
Private Hospitals .....	6	1	7
General Office .....	415	55	470
Credit Unions/Building Societies .....	13	4	17

Training Plan	Female	Male	Total
State Bank .....	27	14	41
Commonwealth Bank .....	5	5	10
Insurance/Life .....	14	3	17
Insurance/General .....	6	5	11
	537	115	652
Advertising Industry .....	3	2	5
Clothing .....	13	2	15
Footwear .....	6	—	6
Furniture Removals .....	—	11	11
<i>Sales</i>			
Retail .....	8	22	30
Timber Merchandising .....	4	4	8
	571 (78.5%)	156 (21.5%)	727

### 5.1.3 In Training as at 30 June 1988 by Private or Public Sector and Gender

Sector	Female	Male	Total	
Public .....	51	28	79	(10.9%)
Private .....	520	128	648	(89.1%)
	571	156	727	

### 5.2 Approved Employers—South Australia Approvals Current as at 30 June by Year Shown by Training Plan

Training Plan	1987	1988
<i>Clerical</i>		
Public Sector .....	9	43
Private Sector .....	86	851
Advertising Industry .....	12	14
Clothing .....	—	12
Footwear .....	—	4
Furniture Removals .....	1	9
<i>Sales</i>		
Retail .....	4	4
Timber Merchandising .....	—	7
Telecommunications Installer .....	1	1
	113	909

**Mr S.J. BAKER:** What share of the national total of traineeships does South Australia have? Is it less than 8.5 per cent?

**The Hon. L.M.F. Arnold:** We will get that information.

**Mr S.J. BAKER:** On page 186 of the Program Estimates mention is made of overseas vocational education. What targets are envisaged for getting overseas students to enrol in our TAFE colleges? What sort of moneys are we talking about as a contribution from overseas countries to this country or to South Australia?

**The Hon. L.M.F. Arnold:** The number of students currently registered in the TAFE system is 146. In 1987-88, there were two marketing missions overseas, net of the Austrade amounts including materials, amounting to \$17 000. That figure excludes the ongoing salaries of the officers who went overseas. The cost of providing courses to overseas students is broken up into academic instruction, which is 17 per cent of the cost, amounting to \$131 000; specialised support costs at \$408 000; and contribution to overheads, capital costs and surplus, which is attributable to other programs, at \$231 000. Students are currently enrolled in 19 different awards.

In 1987-88, we made a marginal profit, but we expect to make more in years to come. On a marginal analysis, foreign students contribute an average of \$1 800 each to the system. A comparative study of four awards showed that each foreign student paid for his/her own place and supported an additional .4 to 1.8 student places, depending on the cost structures of courses. Given the diversity of courses, totals would be meaningless. However, the 38 matriculation students fully support an additional 42 resident matriculation

students and 34 accounting students fully support an additional 61 resident accounting students. The projected targets for 1988-89, based upon a submission by two TAFE officers who recently went to Hong Kong, are not available at the moment. They will be incorporated later.

**Mr S.J. BAKER:** Given the vocational access areas, can the Minister give a breakdown of the numbers employed as lecturing staff and lecturers assistants?

**The Hon. L.M.F. Arnold:** Working conditions for lecturers assistants have been the subject of negotiations between DPIR and the Institute of Teachers. Colleges are identifying areas appropriate for the employment of lecturers assistants and, as staffing vacancies arise, these and other support staff will be introduced. The honourable member seeks information about the differential ratios applying in different areas of the curriculum.

We will have to wait until early next year to provide the indicative figures that are showing up between different areas. There is a process involving colleges in this discussion process as well as the Institute of Teachers and the Department of Personnel and Industrial Relations to give us the maximum benefits. I cannot do that by 7 October but I will make that information public as early as possible.

**Mr S.J. BAKER:** Can the Minister give an indication—as I imagine this would be a fairly hot topic in some of the colleges—whether the 25 per cent figure will be acceptable to existing college staff, given that, by definition, if manpower is kept at the same level, there will be a redundancy of 25 per cent of lecturers in the system in those areas particularly affected? Is the 25 per cent an acceptable target area or has the Minister had to change his position on that matter?

**The Hon. L.M.F. Arnold:** I understand that the figure is still the ballpark figure we are working on, although we acknowledged, even at the time of the industrial dispute, that it would vary markedly in different areas.

In relation to the member's previous question, to give an idea of the income and proposed expenditure that we anticipated earlier in the year with respect to full fee students from overseas, our revenue predictions for 1987 were \$60 000; for 1988, \$360 000; for 1989, \$737 000; and for 1990, \$960 000. They are the all-up figures that I indicated I would provide for the member.

Regarding lecturers assistants, the bulletin that went out to each of the colleges reads as follows:

Lecturers assistants would be required to have appropriate qualifications and experience other than teaching, but will be afforded the normal time-off for approved studies. The most appropriate mix of teaching and support positions will be determined in each college. It is expected that the mix will vary not only from study area to study area but, also from college to college, even in the same study area. SAIT agrees that if we proceed with the proposed lecturers assistant classification it will be given equal weight with all other support classifications.

**Mr S.J. BAKER:** Regarding the restructuring of the metal industries awards, what discussions has TAFE held with the

parties involved in that, including the Engineering Employees Association and the relevant trade unions, as I understand there is now a commitment to restructuring the awards? One of the very important vehicles behind the industrial superstructure of this country happens to be the training system; a lot of the awards flow from the training system. At what stage is the department on this issue?

**Mr Kirby:** We have had a number of discussions at various levels. At the national level, the directors of TAFE of each State have discussed the issue and the Director-General of TAFE in New South Wales is in fact on the national committee which is looking at the development of training needs arising under the restructuring of the various awards.

At State level, we have had discussions with the employers and trade unions, but more than that we have been involved with officers and officials who are immersed in the national reorganisation. Laurie Carmichael has been down to talk to us on a couple of occasions. In fact, we are meeting with him shortly and will be looking at South Australia as the State where some of the new training initiatives might be piloted to demonstrate benefits to the industry. We hope that that will help accelerate agreement with respect to restructuring in the industry.

Part of the problem at the moment is that, although there is an agreement in principle, there has been no demonstration of the benefits that will come forth for employers who will obviously have to meet demands for higher pay as a result of the restructuring. It is essential that we demonstrate some of the benefits that will eventuate from the shortened more intensive and more appropriate training.

**Mr S.J. BAKER:** I refer to the cut in core budgets. One concern of the colleges (and I am on the Parorama TAFE board) is that none of them know what their budgets will be for 1988-89. I know that the TAFE colleges seem to go through some difficult periods because certain figures are not forthcoming or computers do not show where they are and how much of their budget they have used up. It has been an area of ongoing difficulty but this year it seems that the ballpark figure on which the colleges can work is still not available and nobody knows when it will be forthcoming.

**The Hon. L.M.F. Arnold:** It is always a difficult situation because of the timing of the budget process. Yesterday the figures were mailed out to the colleges, so the cheque is in the post, so to speak. In any event, prior to that discussions were held with each of the colleges about the impact of the budget situation for them so that they could decide as necessary alterations to core structuring and other areas. That took place some weeks ago. Earlier in the year we had the 5 per cent exercise where colleges were asked to provide information on what could happen if there was a 5 per cent cut in their budget. That was a separate exercise, but it gave important information needed in our budget framing process. The formal advice went out yesterday. Informal consideration between the department and each of the colleges occurred some weeks ago.

**Mr Carter:** The budgets that went out yesterday or the day before were the normal non-salaries budgets plus the PDI allocations that the colleges have been getting over the past 10 years. In 1988-89, for the first time, we will decentralise the salaries budget to colleges, which is a major initiative and push towards decentralisation and placing control and responsibility with the colleges. Because it is such a significant exercise, the reconciling of the salaries budget to each of the colleges and the central office branch has not yet been completed, but it will occur in a couple of weeks time.

**Mr S.J. BAKER:** I am not sure that the figures have been analysed fully by the colleges. Have you implemented a cut in the core budgets for the overheads and PTIs in the figures provided to each of the colleges?

**The Hon. L.M.F. Arnold:** There is not a standard situation for every college. Some colleges have maintained their budgetary situation and others have had modest cuts. Individual approaches were made to each colleges to determine the actual impact of the budgetary situation on their course offerings. The overall objective was that the total number of student hours for 1989 be no less than 1988. We had to decide how that could be achieved with the budgetary situation we had, given that the State Government lost \$3.9 million from the Commonwealth. So, standard percentage does not apply to all colleges. We do not have the figures, but was the overall reduction was about 12.4 per cent. However, with respect to some colleges it would be zero and for others it would be 3 per cent.

**Mr S.J. BAKER:** Were checks done to ascertain whether every college could maintain its program with no cut in courses?

**The Hon. L.M.F. Arnold:** There has always been a situation where some courses have been cut to allow resources to go to new priority course areas. That has been the situation for years, and it will continue. We reallocate according to changing priorities. Overall, last year there were 13.6 million hours of study in TAFE, and this year it will be marginally above that. In 1989 it will be no less than the 1988 number of hours overall. Some courses may totally disappear, while others may come on for the first time.

**Mr S.J. BAKER:** My next question relates to early retirement and TAFE seems to be leading the way in this area. Will the Minister clarify whether the costs associated with early retirement schemes are coming from a central fund rather than being taken out of college budgets.

I understand that it is a policy implementation situation and that colleges should not suffer because of the early retirement policy. Can the Minister guarantee that in cases of early retirement college budgets will not be cut, because in many of these cases they have had to top up from somewhere else?

**The Hon. L.M.F. Arnold:** Without hesitation I guarantee that the cost of early retirement has not been met out of college budgets; it has been met through savings generated by early retirements. The early retirement scheme operated from 16 November 1987 to 30 June 1988. By 30 June 1988, 56 employees had retired under the scheme at a total cost to the department of \$1.452 million in early retirement benefits. By 1 September 1988 nine positions had been abolished with an annual salary saving of \$330 000. Further, consequential vacancies are expected to be without replacement. There have been eight positions identified so far to be filled by lower classified support staff. Further savings are to be made in this manner as consequential lecturer vacancies arise.

One of the issues identified last year is that we have the highest ratio of lecturer 1 positions of any State in Australia. The early retirement scheme has given us the chance to rejig the ratio between lecturer 1 and lecturer 2 positions. By 30 June 1988 a total saving of \$192 000 had already been made as a result of the early retirement scheme. In the pay period 1 July 1988 to 1 September 1988 a total savings of \$202 000 had been identified. On the basis of savings so far achieved, it is estimated that the cost of the scheme will be fully recovered during the 1989-90 financial year with continued savings accruing to the department of TAFE.

**Mr S.J. BAKER:** Has the Minister assessed the effects of the Commonwealth Government's new graduate tax on the future demand for TAFE courses? As the Minister will appreciate, there is a credit transfer between some TAFE courses, associate diploma and diplomas and courses at universities and CAEs, which will provide greater incentive for students to undertake as much study as possible with respect to the cheaper TAFE courses. What is the likely cost increase in this area?

**The Hon. L.M.F. Arnold:** The honourable member is correct in identifying that at this stage the higher education contribution scheme, known as the graduate tax, does not apply to TAFE associate diploma courses. An undertaking has been received from the Federal Minister that State Governments will be consulted before there is any move for such an impost to be put in place.

It needs to be remembered that associate diploma courses in TAFE in this State are funded entirely by the State Government whereas associate diploma courses in higher education are funded by the Commonwealth. Up until the last Federal budget, some associate diploma courses in Queensland and New South Wales and, possibly, Victoria were funded by State Governments and some by the Commonwealth. The Commonwealth has now pulled out of all funding of associate diplomas in TAFE in those two States, and transferred the money back to those States. It has consequently said that it will not only not charge the higher education administration charge (the \$263 which has generally been abolished now) but also not charge the graduate tax for those TAFE students.

The question was whether there will be pressure because of demand for State-funded TAFE associate diploma courses as a result of the other courses attracting the graduate tax. It is a very interesting question. I suspect the answer is 'Yes', that there will be an increase in demand. It is too early to say, because we are not in the enrolment period. For example, that might lead to the Commonwealth's arguing with the States that it should extend the graduate tax. That will have to be debated on another day. The State Government has determined that it does not support the implementation of a graduate tax, as the honourable member knows.

**Mr S.J. BAKER:** The Minister announced that \$1.3 million is to be collected through fees pertaining to associate diplomas. From where will that funding be made up, and why did these plans not proceed?

**The Hon. L.M.F. Arnold:** There was a \$3.9 million Commonwealth cut-back and three options were available to the State Government. One was to cut TAFE courses to the tune of \$3.9 million, so that the total Commonwealth cut would have been passed on by means of reduced student numbers in the system. Another option was to raise \$3.9 million from students by imposing a fee other than the general service fee.

Finally, the Government did not want to cut hours, especially at a time when demand is increasing. For five years the level of student hours delivered by TAFE every year has increased, and, ideally, we want to continue that trend. I acknowledge that it has not grown as fast as the demand, but there have not been cuts to the overall allowance. We did not want cuts this year or next year. The Government had the option of either finding the money from within consolidated revenue, whereby other Government services feel the pinch, or by imposing a fee. It chose, with great reluctance, the hybrid policy, meaning that the rest of Government would feel the pinch to the tune of \$2.6 million and \$1.3 million would be raised by standardising our associate diploma situation with that at that stage apply-

ing to federally funded TAFE associate diploma students interstate. In other words, there would be a higher education administration charge.

As is now known, the Federal Government abolished that higher education administration charge for all students and also exempted TAFE associate diploma students from any impost from the beginning of next year, whereas originally it had been anticipated that it might be from 1990 and not 1989. In that context it was indicated by the Premier in his speech that we would re-examine our situation. We have now done so and are not proceeding with that proposal. The \$1.3 million which is, therefore, lost will not come out of the TAFE budget, because there were two figures relevant to the TAFE budget: one that appears in the Estimate of Receipts, which includes the \$1.3 million; and the estimate of expenditure. That estimate of expenditure will not be reduced by \$1.3 million. That means that the rest of the budgetary process of all other departments under all other ministries has to pick up the effect of the \$1.3 million, but the TAFE budget is kept immune from that extra budgetary decision.

**Mr S.J. BAKER:** Does that mean that it was the intention to impose the \$263 fee on associate diploma students if the Commonwealth Government had already applied the graduate tax to these students?

**The Hon. L.M.F. Arnold:** With great reluctance we would have proceeded with that charge. It was not a position which we liked or with which we are philosophically comfortable, but the alternative seemed to be cutting TAFE courses, and we did not believe that we could live with that. In reality, we have still not cut TAFE courses but, somewhere, the Government bears the brunt.

*The Hon. E.R. GOLDSWORTHY interjecting:*

**The Hon. L.M.F. Arnold:** This is one of the points which the next meeting of the Australian Education Council will discuss in Melbourne on 27 October; I will discuss this matter with all other State Ministers and the Commonwealth Minister. Further, the budget papers indicate that we are to hold an inquiry to see whether we can get more money from private sector sources.

Some areas of the private sector already contribute significant amounts to TAFE by means of materials and so on; other areas do not put in anywhere near as much. We are examining whether we can get more back from that kind of support.

**Mr S.J. BAKER:** In May 1987 the Commonwealth Government cut funding for TAFE by about \$30 million. At the same time there was an offset allocation of \$30 million to \$32 million to be bid for on a competitive basis. Last year the Minister indicated that South Australia had received 80 per cent of its true share of those funds. What happened in 1987-88, and what will happen in 1989 in that regard?

**The Hon. L.M.F. Arnold:** I indicated last year that, where funds were put up for bidding by all providers—TAFE could bid for them too—South Australian TAFE tended to get about 80 per cent of those available funds, whereas another State (which I might not have named) received as little as 50 per cent of its eligible funds. Last year we actually received \$2.26 million. I undertake to provide the figure for South Australia at large from which the honourable member can work out the percentage that TAFE actually received.

**Mr S.J. BAKER:** Because each of these areas was subject to bids, can the Minister indicate where South Australian TAFE was successful or unsuccessful in its bids?

**The Hon. L.M.F. Arnold:** I understand that the funds are made available to the State and, except in exceptional circumstances, all the providers within the State bid for them.

TAFE received about 80 per cent of the South Australian share. Therefore, private or community providers are receiving the balance. The situation must apply that, if a State is substantially short of decent applications and, therefore, surplus funds are left over, they may be transferred to another State. We do not have any advice that that has happened in South Australia.

**Mr S.J. BAKER:** Has full use been made of the funding sources?

**The Hon. L.M.F. Arnold:** I will provide the honourable member with the DEET allocations for the State in the last financial year. It will then be possible to determine how much of that was allocated to TAFE, how much was allocated to other South Australian non-TAFE providers and how much, if any, was incapable of allocation and hence returned to the central kitty.

#### Membership:

Mr Groom substituted for Mr Robertson.

**Mr S.J. BAKER:** Further on the Mills report, last year the Minister noted that we had 22 colleges and that that was an inappropriately large figure for the State. The Minister stated:

I am certain that in the next few years we will see a reduction in the number of colleges, either individually to a smaller number or by the creation of some kind of grouping of the colleges into federations.

I know that we have a restructuring of higher education on our hands but, in terms of what we see today in the college area, what progress is being made to reduce the number of campuses down to the sort of number that the Minister had in mind?

**The Hon. L.M.F. Arnold:** We are now down to 21. Since last year's Estimates Committee an amalgamation of the Naracoorte and South-East TAFE colleges has taken place. That was approved late last year and is now operational. Also, the Hills TAFE college has been given formal advice that we will open discussions with that college, with a view to its amalgamation with the Murraylands TAFE college. I make the important point here that that does not mean the end of a TAFE presence in the Adelaide Hills but rather that it relates to administrative combination. We still have a TAFE presence at Naracoorte but it is part of a bigger South-East college of TAFE.

At this point I will provide the Committee with some details in response to a question asked by the member for Murray-Mallee this morning about saddlery. As has been mentioned previously, the Murraylands college did try to get the course up, but there was insufficient demand. The college proposed a weekend part-time course but it even failed at that. Any support that the local member can give to encourage publicity in relation to that course would certainly be appreciated. The Noarlunga college is running

the course and it will continue next year. The South-East college and the Marleston college are likely to offer a saddlery course next year as well, and the Port Augusta and Gilles Plains colleges include saddlery in other courses that they run.

**Mr S.J. BAKER:** From reading the Mills report one gains the overall impression that there is a lot of sense in it. One notes that a working party was set up to look at the Mills report and to consider its recommendations and, one would presume, come back with a further set of recommendations for the Minister. What recommendations have been put forward and when will he act on them?

**The Hon. L.M.F. Arnold:** In fact, the recommendations are not to the Minister but to the Director-General, whom I will ask to comment in a minute. The Mills report was commissioned—admittedly with my approval—by the former Director-General of TAFE, and the report was made to him. It is true that the recommendations were considered by the policy committee of the Department of Technical and Further Education in a number of working parties which looked at the different aspects involved. For example, the committee looking at the Mills proposal to amalgamate down to five units replaced that proposal with a suggestion to look at different types of program management in the department. Some of these things have been advanced nearly to the stage of conclusion, while some have not. I ask the Director-General to further comment on this matter.

**Mr Kirby:** Some of the recommendations were implemented earlier this year when my predecessor was overseeing the department. Since my arrival we have had a reorganisation of the central office of the department, with the objective of both reducing its cost and decentralising some of its activities to the colleges to which salary component management is probably the most significant. We are now about to conduct a review of administrative support in colleges, and that will be linked to the introduction of the assistant lecturer and to the changing of the profiles between teaching and non-teaching, in the way that Mills has recommended.

We are also about to introduce program management, which will give a stronger role to heads of schools in educational leadership in developing programs delivered by TAFE, in determining performance indicators to measure productivity and performance, and also to organise the resources in more effective ways for the delivery of programs. All those things are in the context of the Mills report, and other things will be looked at later in the year and early next year.

**The Hon. L.M.F. Arnold:** I have two other supplementary comments to earlier questions. As to the number of colleges, it is worth noting that there are 67 TAFE campuses in South Australia. Secondly, I have a table of funds relating to Commonwealth-State funding for TAFE from 1984-85 to 1988-89, which I table as follows:

#### DEPARTMENT OF TECHNICAL AND FURTHER EDUCATION

##### Recurrent Expenditure

Source of Funds	1984-85	%	1985-86	%	1986-87	%	1987-88	%	1988-89	%
Commonwealth .....	17 309	20	19 511	19	19 295	17	(1) 24 237	20	(2) 20 671	16
State .....	68 409	80	82 121	81	91 766	83	99 318	80	105 678	84
	85 718	100	101 632	100	111 061	100	123 555	100	126 349	100
(1) Reflects Commonwealth funded programs previously run through DTAFE working account					ATP .....					2 910
					ESC .....					353
										\$5 604
					Aboriginal Education .....					1 907
					NCRC .....					434

- (2) Reflects reduced Commonwealth funding through DEET in 1988:  
 PEP funding ceased  
 Reduction to Designated Grants  
 Reduction to General Recurrent Grant

**Mr S.J. BAKER:** Can the Minister provide a summary of the Mills recommendations?

**The Hon. L.M.F. Arnold:** We can supply a progress statement on each recommendation.

**Mr S.J. BAKER:** As to the business management program, the Program Estimates seem a little out of kilter. In referring to page 195 of those estimates, I seek more details of the seven TAFE business enterprises. What have they been set up to achieve?

**The Hon. L.M.F. Arnold:** In the 1987 May statement Paul Keating, when talking about changes to funding for TAFE, indicated that there would be TAFE resource agreements between the Commonwealth and the State predicated on three conditions. One was that there had been improvements in the TAFE working system. The TAFE industrial dispute was targeted precisely on areas such as that, although our moves preceded the Commonwealth's announcement about it.

Secondly, there would be a commitment by TAFE to provide courses in areas of priority, which include skills priority and also equity issues. Thirdly, the State systems would enable colleges to become more entrepreneurial and to use those resources for improving the education that they offered. The third one we were already doing in South Australia; we had things up and running in a number of colleges. It was certainly acknowledged that we could do more things. It was also considered about then that there was some doubt about our legal capacity to be conducting those enterprises. We had immediately to bring about a change which resulted in my being declared a Crown agent (something like the East India Company) to allow these activities to continue.

Since that time we have seen the establishment of these enterprises, so that the Treasurer and the board of SAFA have agreed to SAFA's providing up to \$2 million in 1988-89 by way of equity or loan funds payable to me as Crown agent through a special deposit account established for the purpose for individual ventures as approved by the proposed TAFE Venture Capital Board, subject to SAFA representation on that board.

We have the seven TAFE enterprises, and the TAFE Venture Capital Board, which vets or assesses each application requiring venture capital and makes recommendations which, if favourable, have available a line of funding that can provide venture capital.

In addition, the Treasurer has approved the allocation of an additional \$500 000 to the Department of TAFE's capital budget for 1988-89 for TAFE enterprise purposes. That is subject to 10 per cent of all the profits from the business enterprise program being paid into the Consolidated Account. The countersign of that is that 90 per cent of those profits are kept within TAFE operations. Further should amounts paid from the business enterprises program into the Consolidated Account by the end of 1989-90 represent less than a 13 per cent per annum return on the amounts provided, any deficiency below that rate of return would need to be provided by way of reductions in the total budget situation.

What we have seen is seven business enterprise boards established. There is an eighth in fact that is presently under establishment but I will not get into that yet. We have ventures dealing with the current activities that are presently under way, including the development by the department of an operational manual covering the legal, personnel, financial and supply aspects of enterprise management; the

establishment of the seven enterprise boards which has happened (and I said there is an eighth under consideration at the moment); establishing a consulting organisation to support enterprises with marketing, accounting and financial services particularly in business planning; establishing a procedure and structure for the evaluation and approval of ventures; formulating strategy for TAFE enterprise development; continuing cooperation with Sagric with regard to developing overseas projects; identifying and establishing appropriate ventures; providing appropriate staff development and enterprise management; expanding the provision of TAFE services to industry; promoting technology transfer particularly in areas of priority development for South Australia; and promoting joint venture between TAFE and industry. I think it would be appropriate that in future annual reports of the Department of TAFE we actually give some separate outlining of the activities of the enterprises in turnover terms and outcomes so that we can put on the public record how the enterprises are doing.

**Mr S.J. BAKER:** Can the Minister tell me what the seven enterprises are and what their actual focus is going to be?

**The Hon. L.M.F. Arnold:** The enterprises are Adtech, which is based around the Adelaide College of TAFE. Its initial work will be the investigation and development of first stage business plans for the following ventures: tourism training and applied learning systems (and just the other day I launched a new centre for applied learning systems at the Adelaide College), overseas educational services and small business and computing services (and it will relate with the hotel joint venture—the former Armstrong's Tavern—that is, the joint venture between with the industry and the Liquor Trades Union), and also consultancies and applied research and development services. Elizabeth Techsolve, based around the Elizabeth College of TAFE, will investigate and develop first stage business plans for the Autocad bureau. They have already been doing work for Autocad but this is now taking it a stage further.

The enterprises also include education and training services and materials, small business services, robotics training, and consultancies. The Marltech board (based around the Marlestone College of TAFE) will be undertaking investigation and development of first stage business plans for construction, and that includes construction and restoration of buildings and other projects. The first three projects are the South Australian Housing Trust project in which dwelling units are constructed under contract; transportable buildings in which buildings are constructed for sale by tender; and the R.G. Peake project in which a barge of historical significance currently owned by the Department of Marine and Harbors is to be restored and offered for sale.

Other enterprises involve computer applications; sheep and wool; fashion and clothing; an adjustable shoe last (which is a piece of intellectual property), and the development of this product from that for marketing; consultancies; and a wool testing laboratory. There has now been some reconsideration in relation to the last item in that the Department of Agriculture is doing similar work, and I think it will not survive.

Murraytech, based on the Murraylands College of TAFE, is doing investigation and development of first stage business plans in consultancies, particularly with the provision of consultancies and applied research to Mallee Enterprise Development Organisation (MEDO); intellectual property marketing, marketing of the college intellectual property in vocational skills development and enhancement in farm practice studies and related rural industries training, prisoner education and other fields relevant to the college's

regional services, education and training materials and services.

The Pantafe Board, which I know would be of interest to the honourable member (it is the Panorama unit) will be doing work in consultancies and applied research and development services (which is the provision of consultancies and applied research and development services to individual and corporate clients in the private and public sectors), and fabrication engineering in dealing with the provision of a number of technology transfer and skill enhancement services.

Regency Applitech, based at the Regency College of TAFE, is dealing with training services in fields related to the schools and specialist units of the college, and also consultancies and applied research and development services. Of course, members will know that Regency has done a lot of this work for a number of years now.

Satech is the department-wide organisation that is presently doing business plans into international ventures (that is, the marketing of education and training services and materials in other countries); training services and consultancies; and specialist consultancies, in particular relating to college business enterprises. As I say, an eighth proposal is presently under consideration, and I will give more formal details of that when I am in a position to be able to announce it publicly.

**Mr S.J. BAKER:** What joint venturing arrangements are envisaged? Has the Minister received any firm plans for joint venturing between TAFE colleges and particular business enterprises? Has the Minister seen anything to date?

**The Hon. L.M.F. Arnold:** Not as a result of these enterprises themselves yet, but some pre-existing ones are now subsumed, I would presume, into these enterprises. For example, the Autocad relationship that the Elizabeth college had would now become part of the Elizabeth Techsolve. The Adelaide College of TAFE has done some work with Computer Power and Prologic, and that now will be related to Adtech; and the video disc has been a joint venture. Another video disc is presently being developed which is to do with manufacturing the competitive edge, which is a four-way venture between CALS (Centre for Applied Learning Systems at the Adelaide College of TAFE), the South Australian Institute of Technology (Levels Campus), the South Australian Department of State Development, and the Victorian Department of Industry, which I find a particularly interesting four-way project. It also involves private sector input through Computer Power and Abtech. The other joint venture that we already have in place is with Sagric, particularly the Indonesian polytechnic work that is being joint ventured with the South Australian College of TAFE under the aegis of Sagric.

**Mr S.J. BAKER:** I now move to the Access programs which are referred to in the Program Estimates at pages 185 and 190, where I note that there is a significant increase in Aboriginal and disabled education. Because of the financial constraints over the past financial year, it was impossible to maintain some of the very worthwhile disabled programs at the Panorama college. A letter from Orana to the Hon. Mr Lucas states:

Significant reductions have occurred, since 1986, in the number of courses and classes made available to Orana clients. The most serious reductions have been at the Panorama college where available literacy and numeracy courses have been cut by nearly 60 per cent over the two year period. The colleges which appear to have been least affected are the Kensington college and some country colleges.

The letter goes on to say that this very unhappy situation was forced on the college because of the personnel who were involved in these programs and these areas were affected

by the budget constraints. Will the disabled people be treated more fairly this year? Where have the 14 positions (which appear on the agenda item for 1987-88 actual employment and which are being maintained in 1988-89) gone?

**The Hon. L.M.F. Arnold:** In relation to the Access programs, taking stream 5 largely as the relevant stream, the table which I incorporated earlier shows that in 1985 there were 3.2 million hours of student access for stream 5 work. In 1986 that had reduced to a little under 3.1 million hours and in 1987 it increased to just under 3.6 million hours. We expect that the same amount of money will be made available this year for Access education. I do not have the figures with me, but I recall that the total budget for Access education was about \$19 million and we anticipate that this year it will be \$20 million.

I refer to page 185 of the Program Estimates and one should compare the 1987-88 actual to the 1988-89 proposed, because the 1987-88 proposed only incorporates Commonwealth funds and does not incorporate the State allocation to those areas. In the intervening period there has been a change with respect to education opportunities for disabled people. There is now a new equal opportunity policy entitled 'Education provisions for persons with disabilities in TAFE'. That policy has now been accepted by the department and has been promulgated.

It is to be hoped that this will give disabled people better opportunities throughout the system. One of its key emphases is to try to encourage opportunities for disabled people in the general TAFE environment rather than just specialised or marginalised courses. It is recognised that some special courses just for the disabled will still be needed, but we want to give disabled people the chance to be part of the mainstream of TAFE education, and support services will be allocated to that arena.

To that extent, the policy will probably see a phenomenon whereby the actual hours of specialised disabled courses will decrease but the number of disabled people doing TAFE courses will increase because they are participating in the mainstream in increasing numbers. Also built into this year's budget is an allocation of \$67 000 from the social justice package for assistance for the disabled. Overall, there has been some increase in effort although, as the member noted, there have been some cutbacks in some situations.

**Mr S.J. BAKER:** One of the concerns of the various non-profit organisations that deal with the handicapped is that there seems to be no structure in the way in which TAFE or the Minister addresses the special learning problems of disabled people. At Panorama, in an unstructured way, officers seek advice from institutions such as Orana, Julia Farr and Bedford Industries, but there does not seem to be any strategy whereby disabled people can gain access to the courses that they really need. Some of those courses are very basic: simply learning to read or getting on a learning curve.

Panorama college is close to a number of institutions. So, if the Government is to spend money on programs for the disabled, perhaps it should be concentrated in one college, such as Panorama or Kensington, so that it can draw on disabled people from those nearby institutions. Locality and quality of service are important. It would be better to have one course at one college that provides the best possible access for everyone. A lot of people are trying to do the right thing but I doubt that we are getting value for money. Indeed, the people who need the service are not getting it.

**The Hon. L.M.F. Arnold:** The policy document is available to the honourable member. This charges particular areas of the department with a series of obligations that they must work towards: policy support branch; staff devel-

opment branch; curriculum branch; learning development branch; physical resources branch; operations branch; and the colleges themselves. So, I would be concerned if we were to end up with a haphazard system. In addition, the publicity branch, the equal opportunity unit and the college councils are charged with certain responsibilities. On the face of it, this policy document gives us a better opportunity to have a proper handle on educational opportunities for disabled people.

If that proves not to be the case, there is no purpose in sustaining an empty policy: we must go back to the drawing board. However, it is the considered advice of the people who drafted this document, based on consultations with groups representing disabled people, with colleges and with people in the central office, that the previous system, which did many good things, did not give disabled people maximum opportunity and that this policy is more likely to do that. If it is shortfailing, we will certainly re-examine it.

**Mr S.J. BAKER:** It is certainly an area where the term 'access' is very important in its own right because many disabled people do not have the ability to travel long distances and a whole lot of things. If that could be put on notice, I would appreciate it. A number of new priorities for womens education are listed on page 190 of the Program Estimates, yet the same budgetary allocation applies for this area despite the fact that a number of priority areas to be achieved are listed for womens education. Will some items be dropped from the agenda in this situation?

**The Hon. L.M.F. Arnold:** A number of the programs for women have two funding phases. The first is that which is supported in whole or in part by the central budgeting system for work done at college base level for a period of time. The second is that they then move on to be part of the integrated program of the college's own operations and no longer receive special support from the central budgeting system, enabling those central office funds liberated to go out into new priority areas. The NOW program is a classic case of that.

**Mr S.J. BAKER:** Regarding the Stream 1 000 courses, commonly called 'enrichment education' (at pages 185 and 191 of the Program Estimates), the budget is \$3.7 million but the cost recovery is only \$1.5 million. Also, the Minister wishes to maintain the level of student participation in enrichment courses. How will that be maintained given the significant drop that we have seen, and is there any intention to try to reduce the difference between the moneys collected and the moneys paid out?

**The Hon. L.M.F. Arnold:** We are progressively trying to get a greater return from the fees charged in the Stream 1 000 arena. The policy up until now has been that most PTI costs incurred by the Stream 1 000 program are recouped in large part by fees. The shortfall is what is known as the gap, and that gap is made up by a central budgetary contribution to individual colleges. In recent years that gap figure has been reduced significantly and it is now of the order of \$150 000, but that still leaves unrecouped the non-PTI expenses which includes two elements: first, lecturing staff within the colleges, particularly general studies lecturers who administer the program; and, secondly, support staff within the colleges who do such things as handle enrolments at the front desk and other support duties. We would like to get to a situation where more of those costs are also recouped through fees. However, it is a very delicate area because, the more the fees are increased, the more you may be closing off the market. Until 1986 we had a situation where a set fee per student hour had to be charged by each college across the State. In 1981 that figure was \$1.10 per

hour. By 1986 it had reached \$1.85 per hour plus the general service fee proportionately of 15c per hour.

In 1986 some of our TAFE courses were competitive with other providers of similar courses in that they were much cheaper: other providers were charging \$4 or \$5 an hour for similar courses. In some cases TAFE courses were more expensive. In 1987 we moved to a new situation where colleges could assume responsibility for the rates they charged. They could set the rates according to what the local market considered reasonable and according to class size issues and the levels of supervision required. We now have a basket of fees charged by individual colleges which range from \$2 to \$5 an hour, while the average seems to be in the range of \$2.50 to \$2.70 per hour. That means that colleges have more funds that they can reallocate to provide concession student places, whereas previously the gap funding was insufficient to generate enough funds for all prospective concession students. We are still seeing a decline in the number of hours in stream 1 000. It peaked in the 1980s at 1 640 000, and in 1986 it declined to 943 000 and in 1987 to 716 000. We do not have figures available for this year as it has not finished yet.

**Mr S.J. BAKER:** I presume that the Minister means that there is no intention to increase fees.

**The Hon. L.M.F. Arnold:** It is up to the individual college. Previously the gap figure was about \$300 000, and it was halved to \$150 000 in the budget before last. It is now \$150 000 plus a minor adjustment. We are now saying that colleges have the responsibility to set the fees which they believe the community will accept and which will generate sufficient funds to provide the number of places they want—not just for full fee payers but also for concession students. They have the flexibility to run and finance their own programs according to the fee structure charged.

**Mr S.J. BAKER:** I refer to generic certificates on page 192 of the Program Estimates. I presume that it is a standard certificate with the course title changed on each certificate. What is an LRC?

**The Hon. L.M.F. Arnold:** It is a learning resource centre. The answer to the first comment, which the honourable member answered, is unquestioned.

**Mr S.J. BAKER:** I refer to page 185 of the Program Estimates. The budget was exceeded by \$1.5 million and employment exceeded by 25. I assume that it is part of the reallocation process and that staff have been reallocated according to the lines.

**The Hon. L.M.F. Arnold:** The figures in brackets relate to receipts.

**Mr S.J. BAKER:** I was referring to program 5—planning and coordination. The original budget estimate was exceeded in 1987-88, and manpower was also up. I presume that that comes from the changes in classification.

**The Hon. L.M.F. Arnold:** Yes.

**Mr Carter:** In 1987-88 the amount proposed was for the central office only. The new account structure picks up policy and coordination activities within each of the colleges.

**Mr S.J. BAKER:** Has central office been restructured into five divisions and, if so, what are those divisions?

**The Hon. L.M.F. Arnold:** I will ask the Director-General to comment.

**Mr Kirby:** The restructuring has not yet been completed. We are still trying to reach final agreement with the PSA, but the five divisions will be: planning, program management, human resource management, curriculum and finance administration.

**Mr S.J. BAKER:** When will the Minister release the Ager report?

**The Hon. L.M.F. Arnold:** Vernon Ager was commissioned by the Minister of Education and me to look at further opportunities for interaction between the TAFE and senior secondary systems. The brief in our minds was to determine some practical examples of cooperation between the TAFE system and secondary schools that could be used around the State. The term 'lighthouse' could be used, but it would be inappropriate. The term 'lighthouse' could indicate that those examples could be used by other areas of the State to fashion their own responses and is inappropriate to the extent that 'lighthouse' tends to imply that, if it is successful, everyone else might do the same thing. Rather there was an attempt to find out what geographical specific responses could be developed.

Vernon Ager did some interesting work on this matter and provided a report to the Minister of Education and me. He then provided a supplementary document which gave some more specificity in relation to local colleges and schools. That whole area was subsumed in a wider consideration and has now been factored into that wider consideration of the ED/TAFE interface. The ED/TAFE interface has been a matter of policy priority for a number of years, but it has reached critical stages where decisions need to be made as to how it can grow even further.

In 1983 when I was Minister of Education a joint policy statement was made, at my request, by the Directors-General of TAFE and the Education Department. That joint statement resulted in a lot of cooperation and progress between the two departments. In 1985-86 we reached some of the structural hurdles that stopped further progress being made in certain areas—for example, accreditation matters—some of which are well and truly beyond the control of State departments but are under the control of Federal arenas, such as the Australian Council on Tertiary Awards. That set of problems or issues needed to be further addressed and I have recently asked the Director-General of TAFE to provide further advice. Vernon Ager's work has been factored into that. Both the Minister of Education and I are expecting an outcome from that further work in the next few weeks. At that stage we will make a public statement which will include reference to the recommendations of Vernon Ager.

**Mr S.J. BAKER:** I refer to page 195 of the Program Estimates. We have been discussing child care at the Panorama college for four or five years. Because of difficulties with space we have not been able to come up with a satisfactory solution to the problem, although I am sure that Panorama is one of the colleges on the priority list. Can the Minister provide a set of figures for the four programs now in place relating to the revenue and costs associated with child care services?

**The Hon. L.M.F. Arnold:** The present situation in the colleges is that we have five full-time staff, 42 part-time staff and some form of child-care is available in 15 out of 21 colleges. The total funds applied amount to \$350 000 plus a new allocation of \$50 000 which will take the total annual allocation to \$400 000. As to future plans for the extension of child-care services, this week the Director-General advised the Institute of Teachers (which asked a similar question) of the future plans. I will go through them one by one and come to the Panorama College in the process. A number of sites and possible solutions to the problem of child-care services of the Adelaide College here have been considered. This has been a particularly bedevilling problem because of site possibilities. To date, none has been acceptable either in terms of the location or in the suitability of the premises. The Grote Street site is currently under consideration as a possible option. Adelaide college

will continue to be a priority for child-care services until such time as a suitable solution is found.

A limited child minding service has been offered at the Camden branch of the Kingston CAE. A submission will be made to the Commonwealth for consideration for capital works at the O'Halloran Hill campus as part of the recently announced building grants for the TAFE child-care services. The Marlestone college council is investigating the demand for child-care services. Options being considered include a purpose built centre as part of the amenities extensions, leasing nearby premises, or providing subsidies to students using private child-care. A child-care centre has been included in the future stages of the Murraylands college building program. In the short term, the renovation of a cottage on college grounds is being considered. Students needing child-care at present use the nearby centre and are subsidised.

The Panorama college is currently negotiating for the purchase of a commercial child-care centre. If these negotiations are successful, it is anticipated that the services will be available to students, staff and the community for 1989. No facilities are planned for Pirie CAE. Students have access to the community child-care centre close to the college. Regarding Regency CAE, students have access to the Croydon Park CAE child-care centre. That will be building onto the \$400 000 annual effort from the central area towards child-care.

**Mr S.J. BAKER:** Will the Minister, on notice, provide the cost inputs and revenue outputs pertaining to the total question of child-care, not college but the total?

**The Hon. L.M.F. Arnold:** Very well.

**Mr S.J. BAKER:** What are the student councillors doing in terms of their interface with schools, or do they not impinge on the schools?

**The Hon. L.M.F. Arnold:** Since the general service fee was increased in 1986, 10 student services officers have been appointed. An increase in the budget allocation of student services in the 1988-89 budget will allow for a further 1.5 effective full-time staff.

This will provide a level of counselling and advisory services in all but one college—the Hills college—in 1989. In addition, college councils have contributed to the staffing levels, increasing appointments to full-time in some colleges and appointing information officers and clerical support for student services and others. Some college councils have undertaken significant building projects for student amenities. Information materials have been developed during 1988 primarily for secondary schools to assist them in career choices through study options in TAFE.

The reality would be that the priority, or allocation, of time that those colleges give to a number of activities would vary between colleges. Their activities would include the provision of a direct support service to students within the college in terms of some counselling functions; assistance in course counselling (although, it must be remembered that much course counselling is done directly by lecturers responsible for course work); and, other limited counselling with their expertise for any other needs that might be relevant to the students' participation in the college.

Secondly, there is counselling in relation to participation in assisting the student life of the college. A number of colleges are now developing student facilities whereby students can interact. Thirdly, there is the provision of advice to lecturing staff and administrative staff in colleges with respect to the needs of students so that they can act as intercessors with others in the college. Fourthly, the counselling service acts as an outreach to secondary schools to promote TAFE courses amongst those schools that feed into the college. The proportion to which each college is involved

in these activities would vary from college to college. I cannot give exact figures on that, but it would be part of their brief to do some of that.

**Mr S.J. BAKER:** I note that from page 204 of the Auditor-General's Report mention that a payment of \$893 000 was made by the Education Department to TAFE. What did those funds cover?

**The Hon. L.M.F. Arnold:** That payment is made by TAFE to the Education Department; not by the Education Department to TAFE. We are paying for the use of school buildings for TAFE activities, which are predominantly enrichment courses. In fact, there is another amount that the Education Department has been paying back to TAFE, particularly in the correspondence area, because we are increasingly providing correspondence services to Year 12 students. The Correspondence School at the Education Department does not provide fully for distance learning at matriculation level. Initially a proportion of that service was being provided by TAFE from within its own resources. However, since that has been a growing area there is now a significant input from the Education Department to the TAFE budget. The Education Department does not measure that in dollar terms: it is achieved by the transfer of people.

**Mr S.J. BAKER:** The question of specialisation is discussed on many occasions. I know that there have been some changeovers, for example, with Panorama college being a key area in metal fabrication and Regency Park specialising in another area. Is there any sense of direction that TAFE colleges should have a prime focus in terms of specialised areas that are not available elsewhere?

**The Hon. L.M.F. Arnold:** It is better to say that it is a bit of a hybrid situation. Certainly, country colleges will always have a predominantly geographical focus. In other words, the Eyre Peninsula college is the college for the geographical area and the same applies with Whyalla and so on. Therefore, those colleges will not be very specialised, although, they may develop greater emphasis in certain vocational areas because of industry patterns in that geographical area. For example, the Whyalla college certainly responds to its surrounding industries in a different way from the way in which the Murraylands college responds to its employment base.

The country area does not involve a mixed pattern, but the urban situation is mixed. We do have some specifically geographic entities, for example, Tea Tree Gully serves a specific geographical area. However, other colleges are specialist colleges and do not have a geographical constituency; for example, Regency Park College not only serves that area, but also is a specialist college serving the whole State. Then there are other colleges that are half way between the two. Elizabeth college serves both a geographical constituency and a specialist function for the whole State, not just the metropolitan area and Panorama college, likewise, would be between the two.

The hybrid nature of colleges will remain for some time to come, although, as the honourable member noted, because of what happened last year and the year before, Panorama was becoming a more specialised college in one area and losing courses as a result of that to Regency, which in turn was losing courses to Panorama. Therefore, we will pursue this avenue for course efficiencies. Indeed, in this year's budget, we have built in a cost saving of \$200 000 based on course efficiencies like that. However, Panorama college will continue to have a local focus.

**Mr S.J. BAKER:** I am confused about the budget allocation that is used up in the process of voluntary early retirement. A figure of \$2.2 million is given at page 196 of the Program Estimates, while at page 205 of the Auditor-

General's Report we note a figure of \$1.5 million. When the matter of voluntary early retirement was raised with the Minister of Labour, he said that there had been 47 retirements for the whole Public Service. However, the Auditor-General's Report indicates that there were 56 for the Department of Technical and Further Education. I suspect that some of the difference in the employment figures may relate to some employees being under the Government Management and Employment Act, while others are not. If indeed there were 56 voluntary early retirements from TAFE, can the Minister provide details of how many employees were under the Government Management and Employment Act and how many were not?

**The Hon. L.M.F. Arnold:** My advice is that all those in the TAFE total were employed under the Technical and Further Education Act.

**Mr Carter:** As to the comment about the difference between the \$1.5 million figure and the \$2.2 million figure, I point out that the \$1.5 was an extra payout for early retirement, and the \$700 000 was for long service leave accumulations, and things like that—making a total of \$2.2 million.

**Mr S.J. BAKER:** As to administration expenses, equipment and sundries, the amount voted for 1987-88 was \$713 000, while actual payments amounted to \$2.815 million. Further, the amount voted in 1987-88 for purchase of office machines and equipment was \$238 000, while actual payments amounted to \$798 526. Can the Minister explain how those enormous differences could possibly have occurred?

**The Hon. L.M.F. Arnold:** I call on Mr Carter to comment.

**Mr Carter:** As to the purchase of office machines and equipment, during the year the department entered into a cost benefit study in respect of copying machines located throughout the system. We have a large number of them, which previously were under a hire agreement. As a result of that cost benefit study, Treasury agreed to provide us with a one-off fund to purchase a large number of copying machines. Thus, the increase in that line relates to that one-off purchase. Subsequent savings will be reflected in future budgets. As to administration expenses, equipment and sundries item, I again have to refer to the changes in the accounting system and to the way that the figures have been distributed this year. As part of that process, we found that some of the costs which we were previously allocating to vocational programs, etc., according to the strict compliance with Treasury rules on the PPB guidelines should have gone to this central intra-agency support service line. So, a whole range of items are included there—scintillating things like rubbish removal contracts, fringe benefits tax, and things like that, which were previously spread over other lines.

**Mr S.J. BAKER:** Reference is made on page 196 of the Program Estimates to the growing number of full-time students. Is that indeed the case? That does not seem to be in keeping with my thinking on the matter. Can the Minister provide details for the number of full-time and part-time students for the past three years? I am talking mainly about the vocational areas.

**The Hon. L.M.F. Arnold:** We will provide some further details on that. At this stage, I can identify, for example, that between 1982 and 1987 the number of students involved in stream 4 activities increased from 25 000 to 28 000. That was only a 4 000 increase, yet the hours of stream four doubled from nearly 1.5 million to nearly 2.9 million, which is a sign of the growing number of full-timers in that course. One can do that sort of work on the table that I have already incorporated. We will get back with any other figures.

**Mr S.J. BAKER:** I am disappointed that at page 190 of the Program Estimates many of the 1987-88 specific targets, which are important, are listed as either not achieved or ongoing and do not seem to be continued with this year and thus are not targeted. I refer to the following item:

To provide advisory service to field and central office branches in the utilisation of computer applications in teaching and education—not achieved.

None of the listed items is duplicated this year. Why is that?

**The Hon. L.M.F. Arnold:** The ongoings are taken as read in 1988-89, and further dot points are added. Material for use in the new Tea Tree Gully college is going on. The item 'To develop a second interactive video disk ...' is going on. Perhaps it could have been better said. The item referred to by the honourable member relates to the third to last dot point in the 1988-89 specific targets/objectives, as follows:

Begin implementation of the department's administrative computing strategy plan.

The situation has not been described in adequate form.

**Mr S.J. BAKER:** The Auditor-General commented on TAFE administrative systems, and it would not be stretching the truth to say that computer coordination in TAFE is abysmal. The Auditor-General indicates that DMIS is still getting there: it has been getting there for some time. I know from my experience on the Panorama TAFE college council that about two years ago enthusiastic people wanted to develop systems because they were not getting leadership from central office. Obviously, the Minister has put a high priority on getting the system sorted out.

**The Hon. L.M.F. Arnold:** I can accept the comments to the extent that there are problems that need addressing, but not to the extent that the response is abysmal. Central office has worked hard and achieved many things in recent years. What we are talking about here are further developments to meet changing needs. The TAFE system is a remarkably diverse system; compared to other tertiary systems, none has 69 campuses in 21 colleges (in South Australia).

None of them has the same range of courses—from enrichment courses through to access courses, short-term, intensive, one year, two years, certificate, advanced certificate, associate diploma, apprenticeship training, etc. None of them has as wide a diversity as TAFE has. None of them has as many students (approximately 140 000) who come through the door either full-time or part-time. None of them has as many suppliers to have to deal with, and none of them has as large a staff. So, it is very complex and, while it is not perfect, it has improved enormously in recent years. What is said here is that it is going to keep on improving; it has to keep on improving, because there are still major shortcomings: that is admitted. But 'abysmal' I think is an unfair word, especially when people have been trying to respond to changing expectations of TAFE year by year.

**Mr S.J. BAKER:** My last question on TAFE relates to the safety record in TAFE. The Auditor-General, referring to the area of the Minister of Labour, stated that, whilst the new safety scheme (the name of which I cannot recall for the moment) had produced some significant improvements in safety in departments in which it had been implemented (the Department of Marine and Harbors was the first testing arena) the introduction of this new scheme in TAFE had not resulted in a decrease in the number of people subject to compensation. I presume that attention will be paid to this matter, and I ask the Minister to supply to the Committee details of the breakdown in industrial accidents or diseases that occurred in the TAFE system in 1987-88.

**The Hon. L.M.F. Arnold:** The 1987 annual report, dealing with statistics on occupational safety, health and welfare for

the year ended 30 December 1987, indicates that, in a system that had 1 613 TAEFAC staff, 654 GMEAC staff, 405 weekly paid, approximately 3 000 hourly paid instructors and approximately 140 000 students, the total number of recorded injuries were: workers compensation category injuries, 186; staff accidents not compensable 104; injuries to students and visitors, 246; workers compensation premiums, \$1.2 million. The total cost of workers compensation for 1987 was: weekly payments, \$651 954; medical expenses, \$164 742; lump sum payments, \$421 476; legal costs, \$79 668; common law settlements, \$66 362; medical recoveries, \$10 895; recovery from third parties (a credit, of course), \$106 967, making a total net cost of \$1.288 million. As I mentioned, workers compensation premiums were \$1.2 million.

**Mr S.J. BAKER:** I am not sure whether the Minister's response actually addresses the Auditor-General's comment indicating a deterioration from 1986-87 to 1987-88; whereas the other departments where this new scheme had been brought into operation actually showed an improvement, here the Auditor-General commented that there was no improvement—in fact, there seemed to be a deterioration—and I would be rather interested in those figures that the Minister provided for the two financial years to which the Auditor-General addressed himself.

**The Hon. L.M.F. Arnold:** If those figures are readily available we will get them.

**Mr Carter:** One partial explanation for the comparison of those figures relates to the fact that the introduction of the scheme which you are talking about is only in its early days in the department and we are expecting benefits to accrue. But one aspect of that scheme is to tidy up long outstanding claims. That was done, and as a result of that a large number of one-off payments were made last year. That is why there appears to be a peak payment.

**The CHAIRMAN:** There being no further questions, I declare the examination of the votes completed.

Office of Employment and Training, \$10 734 000

**Chairman:**

Mr D.M. Ferguson

**Members:**

Mr S.J. Baker  
The Hon. E.R. Goldsworthy  
Mr I.P. Lewis  
Mr M.D. Rann  
Mr D.J. Robertson  
Mr P.B. Tyler

**Witness:**

The Hon. L.M.F. Arnold, Minister of Employment and Further Education.

**Departmental Advisers:**

Mr C. Connelly, Acting Director, Office of Employment and Training.

Mr B. Bartlett, Acting Assistant Director.

**The CHAIRMAN:** I declare the proposed expenditure open for examination.

**Mr S.J. BAKER:** In relation to the Estimates of Payments on page 74, where was the additional money (some \$727 000) supplied by the Commonwealth allocated in terms of apprentice training?

**Mr Connelly:** The figure of \$987 000 includes the craft provision for two off-the-job training centres which exist in

the Public Service—one at the Ottoway E&WS and one run by ETSA. Past practice has been that that part of the craft rebate had been paid directly to the department. On this occasion it was paid through the Office of Employment and Training.

**Mr S.J. BAKER:** Page 198 of the Program Estimates in relation to 'Special Training Schemes' indicates that the actual full-time equivalents employed during 1987-88 was 48.5, but for 1988-89 no-one is proposed, despite a budget of \$1.41 million.

**The Hon. L.M.F. Arnold:** This area covers public sector traineeships, which explains its previous figure. I will take that question on notice.

**Mr S.J. BAKER:** I refer to page 201 of the Program Estimates. How many new enrolments were there in vocational courses during 1988 compared with 1987, and what proportion was male and female?

**The Hon. L.M.F. Arnold:** I have a series of tables that will answer that question and related matters. One table relates to the total apprentices in training in South Australia from 1977 to 1988. The second table shows the apprentices in training by trade group as at 30 June from 1983 to 1988. The third table shows the apprentices in training by trade group and gender as at 30 June 1988. The fourth table relates to the honourable member's question and shows the apprentice commencements in South Australia from 1980-81 through to 1987-88. They are also divided into trade groups and then the table shows commencements in the year to 30 June 1988 by trade group and by gender. The next table relates to completions during the years shown. South Australia has by far the lowest attrition rate amongst apprentices of any State and that table relates to 1980-81 through to 1987-88, again divided by trade. The last table relates to apprentice withdrawals and cancellations in South Australia by trade group during the year ended 30 June 1988. The tables are as follows:

#### Apprentices in Training—South Australia

##### 1.1 In training as at 30 June of year shown:

1977—12 365	1983—9 647
1978—11 578	1984—9 536
1979—11 343	1985—9 890
1980—11 401	1986—10 396
1981—11 048	1987—11 236
1982—10 622	1988—11 477

##### 1.2 In training as at 30 June of year shown by trade group:

	1983	1984	1985	1986	1987	1988
Metals	4 359	4 070	3 771	3 576	2 191 <sup>(1)</sup>	2 304 <sup>(1)</sup>
Electrical	1 334	1 299	1 226	1 180	1 234	1 308
Building	1 006	1 083	1 217	1 376	1 526	1 498
Furniture	438	417	426	484	553	630
Printing	194	222	287	364	370	380
Vehicle	362	413	500	583	2 071 <sup>(1)</sup>	2 087 <sup>(1)</sup>
Ship and Boat						
Building	20	24	22	18	19	23
Food	685	681	783	886	1 028	1 082
Hairdressing	936	1 042	1 242	1 412	1 543	1 478
Other	313	285	416	517	701*	687*
	9 647	9 536	9 890	10 396	11 236	11 477

*Other:	1987	1988
—Farming	313	269
—Gardening/Greenkeeping	167	190
—Wood Machining	97	89
—Jewellery Making	34	40
—Footwear	32	37
—Dental Prosthetics	31	29
—Other	27	33

<sup>(1)</sup> Motor mechanic occupations reclassified from 'Metals' trade group to 'Vehicle' trade group.

##### 1.3 In training as at 30 June 1988 by trade group by gender.

Trade Group	Female	Male	Total
Metals	27	2 277	2 304
Electrical	47	1 261	1 308
Building	22	1 476	1 498
Furniture	4	626	630

Trade Group	Female	Male	Total
Printing	74	306	380
Ship and Boat			
Building	1	22	23
Vehicle	27	2 060	2 087
Food	183	899	1 082
Hairdressing	1 256	222	1 478
Other	58	629	687
	1 699 (14.8%)	9 778 (85.2%)	11 477

#### Apprentice Commencements—South Australia

##### 2.1 Commencements during the year shown:

1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88
3 160	2 720	1 843	2 752	3 521	3 421	3 612	3 674

##### 2.2 Commencements during the year shown by trade group:

	1983	1984	1985	1986	1987	1988
Metals	740	993	1 081	1 018	617 <sup>(1)</sup>	774 <sup>(1)</sup>
Electrical	262	299	346	335	386	398
Building	175	363	526	442	444	421
Furniture	61	119	179	177	173	227
Printing	29	68	111	134	113	107
Vehicle	101	158	181	215	623 <sup>(1)</sup>	622 <sup>(1)</sup>
Ship and Boat						
Building	4	9	6	5	4	11
Food	131	230	349	335	412	368
Hairdressing	249	424	499	498	487	469
Farming	—	—	133	155	208	154
Other	91	89	110	107	145*	128*
	1 843	2 752	3 521	3 421	3 612	3 674

*Other:	1987	1988
—Gardening/Greenkeeping	72	62
—Wood Machining	28	16
—Footwear Trades	16	18
—Jewellery Making	13	13
—Others	16	19
	145	128

<sup>(1)</sup> Motor mechanic occupations reclassified from 'Metals' trade group to 'Vehicle' trade group.

##### 2.3 Commencements in year to 30 June 1988 by trade group by gender.

Trade Group	Female	Male	Total
Metals	9	765	774
Electrical	15	378	393
Building	8	413	421
Furniture	1	226	227
Printing	22	85	107
Ship and Boat			
Building	—	11	11
Vehicle	12	610	622
Food	66	302	368
Hairdressing	405	64	469
Farming	4	150	154
Other	11	117	128
	553 (15.0%)	3 121 (85.0%)	3 674

##### 3.1 Completions during the year shown:

1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88
3 138	2 582	2 408	2 553	2 758	2 414	1 905	2 772

##### 3.2 Completions during the year to 30 June shown by trade group:

	1983	1984	1985	1986	1987	1988
Metals	1 073	1 171	1 272	1 091	476 <sup>(1)</sup>	556 <sup>(1)</sup>
Electrical	318	312	378	355	279	269
Building	247	257	343	225	196	379
Furniture	69	132	142	97	67	123
Printing	32	35	42	48	31	87
Vehicle	121	95	75	98	356 <sup>(1)</sup>	490 <sup>(1)</sup>
Ship and Boat						
Building	4	4	5	7	2	6
Food	182	194	185	163	131	210
Hairdressing	235	252	205	213	232	391
Other	127	101	111	117	135	262
	2 408	2 553	2 758	2 414	1 905	2 772

<sup>(1)</sup> Motor mechanic occupations reclassified from 'Metals' trade group to 'Vehicle' trade group.

Apprentice Withdrawals and Cancellations—South Australia  
By trade group during year ended 30 June 1988:

	With- drawals	Cancellations	Total
Metals . . . . .	28	62	90
Electrical . . . . .	13	28	41
Building . . . . .	11	33	44
Furniture . . . . .	3	18	21
Printing . . . . .	6	3	9
Vehicle . . . . .	15	79	94
Ship and Boat Building . . . . .	1	—	1
Food . . . . .	18	55	73
Hairdressing . . . . .	21	73	94
Other . . . . .	4	24	28
	120	375	495

Wastage rate : 3.3%  
(COSTAC Formula)

Notes:

1. Apprenticeship withdrawals refers to persons who leave trade training during the probationary employment period.
2. Apprenticeship cancellation refers to the termination of an indenture of apprenticeship after the probationary period.
3. The wastage rate shown has been calculated by the formula:

$$\frac{z}{x + y}$$

where

- x = number of indentured apprentices in training at 30.6.87  
y = apprenticeship commencements registered during 1987-88  
z = withdrawals and cancellations during 1987-88

**Mr S.J. BAKER:** What four new training schemes were introduced?

**The Hon. L.M.F. Arnold:** They were Spencer Gulf, Riverland, Northern Area and ACROD. This year we have had the Western Suburbs and the Aboriginal scheme must have been the year before last.

**Mr S.J. BAKER:** What are the numbers involved, divided by gender and employer group, in the group training schemes for 1988 and the forecast number for 1989?

**The Hon. L.M.F. Arnold:** We will obtain those figures. The first group basically related to industry based schemes, including the Master Builders, the Motor Trades Association, engineering employers, Australian Hotels, and specialist building trades. Over the past 18 months client group specific schemes such as the ACROD scheme have developed. Geographic specific schemes such as Spencer Gulf, Riverland, Western Suburbs and Northern Suburbs are now developing. We also have the statewide group traineeship scheme and the local government scheme.

The new schemes are not just group apprenticeship schemes, as they used to be known. They are now group training schemes because they pick up traineeships as well as apprenticeships. During the 1988-89 year, there is the possibility of establishing a southern Adelaide regional group training scheme and a hospitality traineeship group training scheme.

**Mr S.J. BAKER:** On page 201 of the Program Estimates there is a note about formal procedures for the hospitality course. What has been the difficulty with existing procedures?

**The Hon. L.M.F. Arnold:** The differing views of employers and unions to date have caused that issue to arise. Those problems have now been resolved.

**Mr S.J. BAKER:** A note on the same page refers to the provision of private facilities by private companies for training purposes. What is the order of magnitude of those private facilities? Are they utilised as a cost or through the good grace of the employer?

**The Hon. L.M.F. Arnold:** There are three types of private facilities. The first type is used in-house by a company for its own purposes and is not relevant to others in the industry unless they work for that company. The department does not get involved with that type of scheme at all. The second

type concerns those cases in which a commercial enterprise has a training facility which it may link in with existing training facilities or make available to existing training facilities. The department has some link with that type of scheme. As an example, I mention the Holden facility, with which the department has connections.

The third category concerns the establishment of a skills centre by an industry group rather than a firm. The Plastics and Rubber Technology Centre at the Regency College of TAFE has been in existence for some time and I recently approved ongoing funding for that centre. Some months ago I formally opened the Motor Trades Industry Skills Centre. Funding has been provided for the SA Road Transport Skills Centre, and it is due to open shortly. The Nursery, Irrigation and Horticulture Technology Education Centre is presently the subject of discussion, and it looks very promising. Also under discussion are the Foundry Industry Training Program and the Engineering Employers Association engineering industry training initiatives.

The department gives a limited amount of seed money to these skill centres, as does the Commonwealth. The large bulk of their establishment and recurrent costs comes from the private sector. I am happy to support these centres with seed money on the proviso that it is a piece in the total training jigsaw puzzle: in other words, it fits in with existing training opportunities and complements them within TAFE and other areas rather than duplicates them. On that basis I have been pleased to note that the centres are complementary with existing training opportunities.

**The Hon. E.R. GOLDSWORTHY:** Bridging the Gap was voted \$110 000 and spent only \$102 000. Why did that occur?

**The Hon. L.M.F. Arnold:** It is true that it did not spend the total budget allocation. The amount spent was \$82 500, and \$20 000 from that line went to support work in Business in the Community, which is another community initiative. We have conducted an investigation into Bridging the Gap. This is not a negative thing but simply an investigation of how we are spending the moneys to determine whether Bridging the Gap in its existing structure meets our priorities for training and employment promotion. That report has now been finished and is to be discussed with the Bridging the Gap organisers and, pending those discussions, I have given a guarantee that its funding will be maintained on the existing pattern until the end of this year. Next calendar year's situation will depend upon the outcome of discussions with Bridging the Gap.

Among other things, it raises one question that we are having to address increasingly in the employment and training area in terms of State moneys, that is, should State moneys for training promotion be allocated towards job seeking activities? We would argue that that is largely the responsibility of the Commonwealth Government. Any activity that involves job seeking is really duplicating, or maybe improving, the services available through the CES.

**Mr S.J. BAKER:** You cannot improve on CES services that are non-existent.

**The Hon. L.M.F. Arnold:** We do not see it as a legitimate brief that we should be addressing with limited funds. We would want to see more emphasis on training in groups such as Bridging the Gap and others who do basic job referral agency work.

**The Hon. E.R. GOLDSWORTHY:** It is stated on page 75 that \$110 000 was voted by Parliament for Bridging the Gap and that the actual payment was \$102 500. However, the Minister stated that the actual payment was about \$80 000.

**The Hon. L.M.F. Arnold:** The honourable member is correct to the extent that what appears in the document gives rise to the impression that \$102 000 was transferred to Bridging the Gap. I am telling the Committee that that was not the case. An amount of \$20 000 was transferred to another group also involved in community work in terms of promoting employment and training opportunities. Bridging the Gap is significantly supported by service groups, and Business in the Community is in fact a service group initiative. I guess it was in the belief that they both had similar origins that they ranked as a similar line. It is a technicality, but I appreciate the point that perhaps it should have appeared as a separate line.

**The Hon. E.R. GOLDSWORTHY:** It also raises the general concern that if Parliament votes an amount of money (in this case, \$110 000) and that payment is authorised, and people see that in the budget papers, they would have an expectation that, because Parliament had agreed to the expenditure, the organisation would receive it. However, an administrative fiat or some other decision can make a farce of the budget allocation and votes. The point is: what are we voting for? We are approving a budget. Earlier this financial year I raised several questions with respect to Bridging the Gap, as no doubt one of your officers would remember. It makes a farce of the budget papers if the Government says that it will give Bridging the Gap \$110 000 but a month or so later decides that it will not. I cannot see much point in asking for a vote of Parliament.

**The Hon. L.M.F. Arnold:** With the best intentions at the time of the previous budget, it was anticipated that that amount would be needed for Bridging the Gap in the coming 12-month period. However, that amount was not actually required by Bridging the Gap, and that occurs with a great number of lines in the Program Estimates where the actual payments do not match the voted payments. In fact, with respect to the Aboriginal Community College, which is also under my area, actual payments were less than the allocation. Since I entered this place, I have not seen every voted line matching identically the actual line in budgets under successive Governments.

I acknowledge the point that a mistake has been made and accept that it should not appear like that as it gives a misinterpretation. The fact that we did not pay Bridging the Gap \$110 000 is not necessarily a point to be criticised. If it cannot justify the receipt of that sum, when we are expected to marshal taxpayers' funds responsibly and not pay them out without justification, we would have been criticised if we had paid more when that was not needed.

**The Hon. E.R. GOLDSWORTHY:** I have seen its budget for this year and it is within \$1 or \$2 of the anticipated final result. We read that the Government has allocated \$102 000 for 1988-89 but we know from what the Minister has said that that is not true.

**The Hon. L.M.F. Arnold:** We have the budget allocations and we always forward commit into the year, indicating that, pending the budget being brought down, there is a funding base that will be predictable. With respect to most other groups, we do that to 30 September and then take it month by month after that. In the case of Bridging the Gap, since it has been under a consultancy examination (which is known to Bridging the Gap and it is fully informed of that), we have given a funding guarantee to the end of the year. We want to talk to it about how it spends future moneys it receives from us and about possible changes in emphasis or direction. If it meets the guidelines of the YES scheme, we will be happy to expend all moneys allocated. If, however, we feel that it continues not to meet what we think are the current requirements, we may have to recon-

sider how much money is available to it and do what we have done in other years, namely, reallocate between the lines.

**The Hon. E.R. GOLDSWORTHY:** I guess that organisation will be interested to read *Hansard* in due course. I well remember the Hon. Jack Wright as Minister opening the premises on North Terrace with a great fanfare stating what a wonderful organisation it was. The problem is that, once an organisation is up and running and the show is on the road with Government support, the ground rules change. That is the nature of the beast. The answer is to never rely on the Government for too much.

**The Hon. L.M.F. Arnold:** The honourable member is overstating the case. I recently opened the southern premises. We wish to simply examine the findings of the report. I am sure the honourable member would support the fact that at all times we must ensure that taxpayers' funds are being spent in the most targeted and appropriate way. We want to assist Bridging the Gap. I have publicly commended the work it has done and do so again. We query the extent to which all the work it has done fits entirely within the legitimate requirements for funding from State Government sources as opposed to funding from other sources.

**The Hon. E.R. GOLDSWORTHY:** The Government gave the money initially. I do not think it was pleading for any Government money, but once organisations rely on support and it is suddenly withdrawn, it indicates how foolish it is to ever rely on Governments for too much.

**The Hon. L.M.F. Arnold:** I am advised that the original understanding was that for every dollar of State funding there would be a dollar of service club funding. Apparently the service club funding has not reached the levels of State Government funding.

**The Hon. E.R. GOLDSWORTHY:** I take it that the budget papers will be corrected somehow?

**Mr S.J. BAKER:** I refer to retraining (page 201 of the Programme Estimates). We all appreciate that many skills have become obsolete. From experience gained from factory visits and dealing with people in the metals industry, I know that some semi-skilled areas have made way for more highly skilled areas. Are any specific retraining schemes in place?

**The Hon. L.M.F. Arnold:** Together with industry, commerce and unions—and with Commonwealth financial support where possible—the branch identifies opportunities for adults to access and/or retain employment. The branch has been involved in the development and provision of seeding funding to regional employment placement and training; that is, the retraining of unemployed adults to meet industry employment and skills needs on a local regional basis in the western districts of Adelaide (RETAP). Secondly, the foundry industry has a pilot program of systemic change for restructure of training for foundry industry process workers. It is anticipated that those two programs will also access Commonwealth Government funds.

**Mr S.J. BAKER:** I refer to page 202 of the Program Estimates. Can the Minister provide the figures, which he provided last year, on the number of apprenticeships according to male, female and type.

**The Hon. L.M.F. Arnold:** Apprentice recruitment into the Government sector in 1987 was 161 males and 12 females, a total of 173. In 1988 it was 168 males and 12 females, a total of 180. The estimated total figure for 1989 is 162, and there is no gender breakdown. We will provide a similar table based on last year's model for Government apprenticeships. An update was provided in March, but we will provide a similar update for the coming period.

**Mr S.J. BAKER:** I was a bit critical of Government because a great deal of publicity was given by this Government to the need for more female apprentices. When one looked at the figures one saw that they did not support the rhetoric. I believe that the 1988 figures are still disappointing in this area. I have attended a number of functions, including 'Women on the move,' where the desire to see more female apprentices has been expressed quite forcefully and yet the Government has still not achieved any remarkable breakthroughs in this area. I also understand that, with the reduced number of apprenticeships for 1989, the scope may well be further reduced. I believe that this area needs to be addressed by action rather than rhetoric.

**The Hon. L.M.F. Arnold:** As a result of the concern about the fact that the Government did not appear to be breaking through in this area, earlier this year I announced that the Government would introduce a new policy with respect to Government apprenticeships. That would allow for targeting whereby, subject to certain criteria being met, we would positively discriminate in favour of women entering Government apprenticeships. Target levels were set. The targets for 1990 for women, by trade, are as follows: in the electrical area, 10 per cent; radio, 25 per cent; garden and green-keeping, 50 per cent; motor and light, 20 per cent; painting, 40 per cent; printing, 40 per cent; carpentry and joinery, 10 per cent; and cabinetmaking, 10 per cent.

This requires us to seek a special exemption under the equal opportunities legislation, as we have done. It is one

way in which we are trying to achieve improved outcomes following our disappointment that we have had such low figures before. That has been the publicly announced policy which has been an Australian first.

**Mr S.J. BAKER:** Small business training is also mentioned on page 202 of the Program Estimates. Where is this training being provided and how many students would be involved?

**The Hon. L.M.F. Arnold:** I will ask Mr Connelly to comment on that.

**Mr Connelly:** This is a program that we have developed in what is now called the Youth Initiatives Unit, formerly called CITY. It aims to assist a small number of young people who are currently unemployed. Small business self employment may well be an alternative for them. So far we have run two programs, and I think that the numbers are about 25, although I can obtain the precise figure for the honourable member. This is something that we do with a great deal of care because, with this particular group, one must be very careful not to create any false illusion that this is a simple process.

**The Hon. L.M.F. Arnold:** Referring to an earlier question, the honourable member asked about the special training schemes line and why, although the budget had fallen from an actual amount in 1987-88 of \$2 009 169 to \$1 410 000, the employment total had fallen from 48 or 50 to zero. I table a tabular statement.

## OFFICE OF EMPLOYMENT AND TRAINING BUDGET 1988-89

Program: Industrial and Commercial Training

Sub Program: (1 040) Special Training Schemes

File: Budget 1

Account	Est. 87-88		Actual 87-88		Proposed 88-89	
	F.T.E.	Amount	F.T.E.	Amount	F.T.E.	Amount
†Salaries .....	50.0		48.50			
Superannuation (9%) .....						
Superannuation (3%) .....						
Payroll Tax (5%) .....						
Workers Compensation (Premium) .....						
Total Salaries .....	50.0	0	48.50	0	0.0	0
Operating Expenses .....		3 000		0		3 000
Accommodation .....		10 000		9 488		11 000
Purchase Office Equipment .....						
Total Contingencies .....	0.0	13 000	0.00	9 488	0.0	14 000
Special Lines:						
‡Special Trade Apprentice Scheme .....		50 000		23 974		0
Disadvantaged Persons Training .....		30 000		30 018		30 000
Training Centres .....		123 000		122 232		123 000
Group Training Schemes .....		450 000		445 077		450 000
§Public Sector Trainees .....		289 000		390 938		0
#Commonwealth Assistant Apprentice Training .....		260 000		987 442		783 000
Adult Training and Retraining .....						10 000
Total Special Lines .....	0.0	1 202 000	0.00	1 999 681	0.0	1 396 000
TOTAL SUB. PROGRAM .....	50.0	1 215 000	48.50	2 009 169	0.0	1 410 000

†The staffing relates to 50.0 Trainees employed by Department of Personnel and Industrial Relations in June 1987. Forty-five of these trainees completed their training in June 1988.

‡1987-88: Finalisation of a Scheme commenced in July 1983 whereby 47 additional apprentices were employed by Government. As at July 1987 only 7 remained and 6 of these ceased in July. The final apprentice completed in September 1987. It is understood that 43 completed indentures.

§Being cost incurred by DPIR on 50 public sector trainees.

#Craft payments received from Commonwealth.

That confirms the point I made about there not being any public sector trainees in this period, because they are now covered under a separate line for the year ahead. That saw the public sector trainee component of that whole budget item drop from \$390 938 to zero, but at the same time the public sector trainees represented the full amount of the salaries component. All the other areas have no salary component relating to Government employment, because they are dealing with outside groups involving disadvantaged

persons training, group training schemes, training centres and the like.

**Mr S.J. BAKER:** My next question relates to entry into the workforce. There has been considerable concern over the past 10 or 15 years about the difficulty of getting long-term unemployed people back into the workforce. Has the Minister undertaken any research into the possibility of people who are initially unemployed for six months gaining

employment within, say, a two year time frame, and how has that statistic altered over a period of time?

**The Hon. L.M.F. Arnold:** We have not done specific work on that. We have a very good labor market analysis which was done with the Office of Employment and Training and targeted to a number of areas, but we have not actually worked on that. Within the constraints of that section of the office, it may be something on which we could do some further work, because it is an important area.

**Mr S.J. BAKER:** I now turn to program 3, 'Employment incentives' and, in particular, to the estimates of expenditure at page 75. With the self employment venture scheme, the expenditure fell well short of the target, but looking at the Program Estimates I note that it required five employees to manage that scheme. On the face value of the statistics, it would appear that SEVS does not seem to be a particularly encouraging scheme. It also appears to be enormously expensive to run on the basis that it needs five people to operate it.

**The Hon. L.M.F. Arnold:** First, the scheme provides continuous employment once a self-employment venture is off the ground. In other words, it is an ongoing employment opportunity for a successful small business for more than six months or a year. Therefore, it is a cumulative exercise. Secondly, a lot of detailed work needs to be done with respect to applications for self employment ventures: first, to assess the application and its viability; secondly, to assess whether or not it represents unfair competition to existing industries, and, of course, if it does it should not be able to access these funds because it would simply be creating a job opportunity by potentially damaging a job opportunity somewhere else; and, thirdly, to assist with the inter-relationship with NEIS, and accessing that.

Had the budget of \$300 000 been fully expended last year it would have required five staff members. In fact, it only spent \$200 000 and still required five staff members. If it had been \$100 000 it would probably still require five staff members, given all the work that is needed to deal with each application that comes through. It is a point of some concern to me that we have not been able to get more applications that warrant approval. This figure of \$201 000 masks the number of applications that have not been approved because we did not feel that the venturers would be successful or because we felt that they were, in fact, replacing existing job opportunities elsewhere and there was no net increase in employment. Therefore, there is a base size team required to implement the scheme. I recently had discussions at the Federal level with the Hon. Peter Duncan, who is responsible for NEIS, so that we could examine what restructuring we could carry out in the SEVS/NEIS area to attract more opportunities.

**Mr Connelly:** One cannot relate the work load to successful ventures because the SEVS people have to put as much effort into one application that, ultimately, does not get funded as they do to an application that does get funded. We are constantly aware of that issue. However, if one does the sums of how much it costs to get a job in terms of our input, one sees that it is probably the cheapest job creation scheme across the nation. In fact, it works out at about \$1 900 per permanent job created in the private sector.

**The Hon. L.M.F. Arnold:** In 1987-88, 41 ventures were funded. That represented 37 male jobs and 25 female jobs, making a total of 62. We estimate that in 1988-89 there will be 40 male jobs and 30 female jobs—a total of 70. They are the applicants who get into the marketplace successfully. Of course, there is no guarantee that they will be successful in the marketplace. We are witnessing a surprisingly high rate of success from self employment ventures involving

those applicants who get through the initial process. In other words, it validates our screening process. We could easily increase the numbers by allowing a lot more applicants through to approval status, but they may only be businesses that fall over very quickly. That figure of 62 jobs is a result of the \$200 000 allocation for creating potentially permanent jobs well into the future. It is a very cheap job creation scheme.

**Mr S.J. BAKER:** I appreciate what the Minister has said; I do not deny that SEVS offers opportunities that might not otherwise be available. The point I was trying to make is that, in terms of cost effectiveness, in regard to salaries being spent, for the office to spend \$100 000 in salaries and to have a \$200 000 pay-out is very poor economics. I am not denying that it is important to screen very carefully in relation to this, but the issue that I believe is important is that there must be a more efficient way to do this than having five people to assess a system and to hand out so little money. I noted that in relation to the Department of Recreation and Sport, for example, the cost of handing out recreation grants was quite extraordinary and not cost effective. It may well be that the department has to rethink its policies on this matter.

**Mr Connelly:** This relates precisely to the process that we have now been going through for some four months. The number of people devoted to SEVS has now been reduced this financial year. More importantly than that, we are looking at ways in which we might involve perhaps a private sector bank as an agent in perhaps helping us deliver this program. This practice has been done in another State with a great degree of success. It is a matter at which we are looking very carefully.

**Mr S.J. BAKER:** One wonders how cost effective many of the items under this program are. At page 198 of the Program Estimates, the final winding down of the CEP funds shows that the budget for this has been reduced by \$10 million. However, there is still a hefty employment factor that applies for 1988-89—in fact, employment is reduced by only 6.5 persons. Why have so many people been allocated to this, when indeed the amount of funds available is now less than a tenth of what it was previously?

**The Hon. L.M.F. Arnold:** Two aspects of work are still being undertaken under the Community Employment Program. The first is that some projects are still actually running at the moment. There is still employment out there in the field. The Job Creation Unit still has responsibility to monitor how that employment is going. The second area of work still being undertaken—and this involves a very large slab of work—concerns tidying up and closing off various projects. When a Community Employment Program is finished a lot of accounting work must be done to close the books and to ensure that taxpayers' funds have been appropriately used, and that where they have not been used in the appropriate amounts, perhaps they can be returned to the CEP fund of the Commonwealth. That accounting and administrative process involves an enormous amount of work. There are perhaps some 300 CEP projects still unfinalised in relation to their accounting. The Auditor-General has made some comments about our monitoring of these projects. Indeed, I suggest that he perhaps indicated that we should have been a bit more rigorous in some cases. We are very sensitive to that, and I can assure the Committee that we intend to tidy up all these cases as rigorously as possible, and it will require the number of people who are there.

The next point I want to make is that we are presently debating with the Commonwealth on the amount of money that is to be made available. We believe that the Common-

wealth has not adequately anticipated how much longer the administrative costs will run on the Community Employment Program. So, that matter is still subject to negotiation between the State and the Commonwealth. We hope to recoup a significant proportion of the actual costs of administration of the Job Creation Unit.

**Mr S.J. BAKER:** I note from page 198 of the Program Estimates that there is again a restructuring of the various programs in relation to the Youth Employment Scheme, and this is referred to also in other program descriptions. So, we are again back to the situation of finding it very difficult to work out which agencies are funding which schemes and what the schemes are trying to achieve. We have a global figure of \$3.3 million shown in the employment program—coordination, involving 13.6 persons. It is difficult to determine what areas are being funded and where the major inroads are being made. Can the Minister provide the YES Task Force Report?

**The Hon. L.M.F. Arnold:** I refer to page 198 and the

employment and employee incentive schemes. YES is the youth employment scheme; YEP is the youth employment program. Other employment program developments have been part of YEP. I take the point made about the staff allocation. We believed that the way it was previously done was a bit arbitrary, because people are not totally dedicated to one type of scheme. Sometimes they are working on one scheme and, when applications come in for YEP, there is a peak load. Then there is a wind down as programs get under way, with another peak load at the end to ensure that YEP applicants meet the objectives and conditions of the grant. There is then another wind down as we wait for the next lot of applications. It was felt that employment program coordinators probably picks up more accurately what is happening—that people were shuffling around between the different programs. As to the individual elements of the YES scheme, I table the following set of statistic, which depicts proposed salaries, contingencies, miscellaneous and the total for 1987-88 and proposed figures for 1988-89:

OFFICE OF EMPLOYMENT AND TRAINING YES ALLOCATION

Program	1987-88 Proposed Salaries	1987-88 Proposed Contingen- cies	1987-88 Proposed Miscella- neous	1987-88 Total	1987-88 Actual Salaries	1987-88 Actual Contingen- cies	1987-88 Actual Miscella- neous	1987-88 Total
Program 10								
Disadvantaged Persons Training	—	—	30	30	—	—	30	30
Group Training	75	—	389	464	84	—	383	467
Public Sector Trainee Traineeships	—	—	289	289	—	—	391	391
Training Centres	100	20	—	120	113	6	—	119
	—	—	123	123	—	—	122	122
Program 12								
YIU High School/Statewide	165	53	82	300	157	33	123	313
Program 15								
Bridging the Gap	—	—	60	60	—	—	103	103
YEP	105	20	1 075	1 200	81	27	1 075	1 183
LEDP	37	—	151	188	37	—	138	175
SEVS	—	—	100	100	—	—	—	—
Publicity and Promotion	—	60	—	60	—	61	—	61
YES Initiatives	10	—	67	77	18	—	20	38
Special Projects	—	—	250	250	—	—	240	240
Aboriginal Initiatives	—	—	50	50	—	—	43	43
AUSP	57	26	446	529	38	23	457	518
HAS	—	—	960	960	—	—	1 060	1 060
Program 19								
Labor Market Research	9	—	—	9	—	—	—	—
Total	558	179	4 072	4 809	528	150	4 185	4 863

By 7 October we will provide information for 1988-89 in a similar tabular form.

**Mr S.J. BAKER:** What is the total figure provided under the CEP program since its inception?

**The Hon. L.M.F. Arnold:** Funds allocated to South Australia and the CEP program total \$101.092 million, including administrative subsidies. In 1987-88 the funds allocated for the program were \$9.375 million. The total funds committed amount to \$146.469 million, which includes \$43.802 million of sponsors' own funds. In addition to the wage pause program and the community employment program in South Australia, the State Government initiated the State government employment program in 1983-84, principally to supplement the sponsor contribution of some Government department authorities and deficit funded organisations. Since its inception, \$6.78 million has been committed on community employment projects which required State Government employment program funding. The total expenditure to 30 June 1988 was \$6.463 million.

The results achieved by the Community Employment Program include the approval of 1 879 projects properly expending \$100.93 million and created employment for 10 851 persons targeted under the program. The major task facing the job creation unit is now financial completion of all outstanding projects (and I mentioned that I think there are at least 300 of those), including the processing of final claims, reconciliation of substantiating expenditure against project approvals and preparation of audits for individual projects and the program as a whole.

**Mr S.J. BAKER:** A sum of \$101 million has been spent on the community employment program, and I remember some of the projects it was spent on. We had the yabbie farm, King William Road and a number of other projects, including the retreeing of Monarto. Some of the wastage was quite massive. On reflection I would question whether the money had been spent wisely but, very importantly, I also question whether anybody has analysed the real impact of that scheme and whether we just had a very large amount of money set aside for very little useful purpose.

If we look at the capital improvements that have taken place as a result of that scheme we know that we could have achieved the same level of capital improvement for probably 25 per cent of the cost. In terms of employment opportunities, I wonder how many people who were involved in those CEP schemes directly benefited by achieving employment status as a result of that process. I am aware of a number of people who participated in CEP schemes and they are still unemployed and have no intention of ever becoming employed. It would be very useful at some stage for the Government to actually do a post-CEP analysis, to determine what real long-term employment benefits were created in the process. Has the Minister done any analysis of the long-term benefits in terms of these people who participated in the schemes?

**The Hon. L.M.F. Arnold:** I have recently received a report on the evaluation of the CEP program nationally and that canvasses many of the areas dealing with how much has been spent, and how many jobs have been created in terms of immediate jobs.

While certainly people have been very free with their criticism of certain individual projects, out of 1 879 projects in South Australia, we will find that the overwhelming majority of them have been a significant net addition to the community resource, and I believe that, even in the case of the yabbee farm, which has had significant difficulties, we now find that two of those ponds are being used by the local community for the generation of food for their own purposes. The King William Street project was again subject to a lot of criticism, but it is a permanent community asset. I can identify many other CEP projects that, in my area, I have been pleased to see added to the community resource. The community will be very appreciative of those developments in years to come. That particular aspect should certainly not be overlooked. So I come back to the point that, out of 1 879 projects, when people have been prepared

to be free with criticism, they could mention perhaps 10 projects—in other words, a very minute percentage of the total number that have been in place.

In the employment arena, there have been some post-program monitoring surveys done—in March 1985, July 1985, May 1986, and March 1987. They are snapshots of labour market experience of CEP participants some six months after program participation. All four surveys cover the former participants of CEP projects approved during the first three years. They were based on samples of 600 people and very high response rates were achieved.

In the first three surveys more than 41 per cent of those CEP participants were in employment—that is, six months after they had left the programs—of whom 85 per cent were in full-time employment. The lower overall employment outcome of 37 per cent in the March 1987 PPM survey may be explained by the easing of the labour market in 1986-87 in the wake of slower economic growth and, to some extent, the higher representation of long-term unemployed in the program.

Secondly, male employment outcomes showed relatively little variation in the first three surveys with, on average, a little more than 40 per cent of those surveyed being in employment. For the March 1987 survey those employed declined to 36 per cent. Female employment outcomes displayed some volatility with a sharp increase in employment of those surveyed in July 1985 to 54 per cent compared to 41 per cent in March 1985. The higher employment outcome in July 1985 was primarily due to a 10 per cent improvement in the full-time employment amongst those surveyed. Approximately 55 per cent of former CEP participants were unemployed, with females on average recording lower unemployed outcomes than males. A table which tabulates those post-program monitoring surveys is as follows:

LABOUR FORCE STATUS OF FORMER CEP PARTICIPANTS MARCH 1985<sup>(1)</sup>, JULY 1985, MAY 1986 AND MARCH 1987 (per cent)

LABOUR FORCE STATUS	Males				Females				Total			
	March 85	July 85	May 86	March 87	March 85	July 85	May 86	March 87	March 85	July 85	May 86	March 87
Employed <sup>(2)</sup>												
Full-Time	36.8	39.6	36.3	30.2	40.8	33.2	26.7	35.0	40.0	34.8	28.6	
Part-Time	4.5	2.3	4.0	5.8	13.4	9.6	10.3	6.2	5.5	6.7	7.9	
Sub-Total	41.3	42.0	40.3	36.0	54.1	42.7	37.0	41.1	45.5	41.5	36.5	
Unemployed <sup>(3)</sup>	54.7	53.4	58.2	58.4	37.6	51.1	52.7	53.4	48.8	54.8	55.8	
Not in Labour Force <sup>(4)</sup>	4.0	4.6	1.5	5.5	8.3	6.1	10.3	5.4	5.7	3.7	7.7	
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

1. In the first survey, administrators had less lead time to contact persons for interview than in subsequent surveys, which may have led to a slight under counting of the percentage of former participants employed.
2. The percentage of participants who reported that they had some employment in the six months since finishing their CEP job was 58.5 per cent, 60.6 per cent, 58.1 per cent and 51.1 per cent respectively in the four surveys.
3. Includes persons who may have been recruited subsequently to other labour market programs or to other CEP jobs. No estimates were available of the size of this group although it is believed to be small.
4. Includes persons who were studying full-time.

**Mr S.J. BAKER:** In relation to local employment development programs, how did the Minister view the review of job seekers document that was commissioned by the South Australian Unemployed Groups in Action (SAUGA) and undertaken by Business Research and Development Pty Ltd, on which the researcher made some observations?

**The Hon. L.M.F. Arnold:** I go through my bags each night and vast numbers of dockets come before me, and I have to deal with the most urgent first. I normally try to

finish them all off in a night, but I do not always get to do so. I am now regretting the fact that the one that came through to me on Tuesday this week (I think) entitled SAUGA unfortunately did not get attention. It has been left for the weekend. So, I cannot give a more detailed response. In addition to my own reading of that report, which I anticipate doing on the weekend, I am awaiting advice from the Office of Employment and Training for its reaction to

the report. I will get back to the honourable member later with some comments. The report is very recent.

**Mr S.J. BAKER:** What is the breakdown, by amounts, for the various schemes that come under the local employment development programs for 1988-89?

**The Hon. L.M.F. Arnold:** The local employment development program essentially involves officers who are employed by local government and who are funded by this LEDP line. There was one exception to that inasmuch as a former LEDP position at Port Pirie was transferred to be part of the general package of support that has been made available to Port Pirie under the Port Pirie Development Council. That now comes under State Development lines. Previously it was one of the LEDP ones; it is now not one of the LEDP ones because that money has been transferred across.

In 1987-88, the LEDP positions were with the Marion, Port Adelaide, Port Pirie, Hindmarsh/Thebarton, and Munno Para councils. In June 1988 decisions were made to fund positions in the green triangle Council for Regional Development and the community employment development program in Kensington/Norwood through the aegis of SHAUN. The Port Pirie one has now been withdrawn formally from the LEDP area and the money has gone across to the Port Pirie development council arena. In relation to what will happen in 1988-89 to the existing programs, basically we anticipate that most will continue except, as I mentioned, for Port Pirie. There may be one other variation, but that matter is still being considered.

**Mr S.J. BAKER:** I refer to program 4 and labour market research. Have specific industry studies been undertaken and, if so, in what areas?

**The Hon. L.M.F. Arnold:** The Labour Market Research Section of the department provides detailed monthly briefings to the office and to me about employment trends. They are very detailed briefings, in terms of both the structure of the South Australian employment scene and comparisons with the national scene. Specialist studies are also undertaken. Recently a detailed study of manufacturing employment was undertaken and an extensive presentation was made to the economic committee of Cabinet on manufacturing employment. That information is proving to be very useful to feed in with the manufacturing strategy that is being worked on at the moment. When the honourable member asked about the effects of long-term unemployment, I mentioned that we may be in a position to consider doing some work in that area, but the workload is rather tight.

**Mr S.J. BAKER:** Could the Minister provide a list of publicly available documents?

**The Hon. L.M.F. Arnold:** To date, they have not really issued public documents, because they believed that documents are available in the public arena. These documents are meant for policy planning matters within the office and the Government. It was not seen to be a public document-releasing organisation. The information is very detailed and, sometimes, when information is so detailed, it is easy to take things out of context. We must be very careful as to how such information is used in the public arena.

**Mr S.J. BAKER:** Page 204 of the Program Estimates mentions a labour force review group. What stage has the computerisation of the apprenticeship data reached?

**The Hon. L.M.F. Arnold:** It is not as advanced as we would have liked; there have been some holdups in this area. We are re-examining the actual costings needed for this program, but I can assure the Committee that funds will be available in this budget to meet the reasonable costs of that computerisation. A particular figure is not attached

in these papers. That sum is included in the round sum allowance. It was felt that a correct figure could not be provided and we are still working on compiling the most economic package before we do that, but it will happen in this financial year.

In relation to sick leave in the Office of Employment and Training, four persons had more than the statutory 12 days. In each case the sick leave was supported by medical certification. Two officers took the full 12 day allowance, and in each case the substantial proportion was supported by medical certification. The remaining 120 officers took less than the statutory allowance.

**The CHAIRMAN:** There being no further questions, I declare the examination of the vote completed.

Office of Tertiary Education, \$240 644 000.  
Works and Services—Office of Tertiary Education,  
\$37 660 000.

**Chairman:**

Mr D.M. Ferguson

**Members:**

Mr S.J. Baker  
The Hon. E.R. Goldsworthy  
Mr I.P. Lewis  
Mr M.D. Rann  
Mr D.J. Robertson  
Mr P.B. Tyler

**Witness:**

The Hon. L.M.F. Arnold, Minister of Employment and Further Education.

**Departmental Advisers:**

Dr F. Ebbeck, Director, Office of Tertiary Education.  
Mr B. Holmes, Executive Assistant to the Minister.

**Mr S.J. BAKER:** What is the current timetable for the final report on the restructuring of the various tertiary institutions? Has the Minister received recommendations from the working group? When does he intend to introduce legislation? At what stage is he talking about implementation?

**The Hon. L.M.F. Arnold:** I have not received a report from the ministerial working party. As I indicated in my statement, I expect to receive a report by 31 October. I communicated this to the Federal Minister, given the fact that he has asked institutions to apply for entry to the unified national system, initially by 30 September, but that has been extended to 31 October. I have had some discussions with the Chairperson (Andrew Strickland) on the matter and he will doubtless keep me informed prior to 31 October.

In addition, on Monday morning I will be meeting with the South Australian Governing Executives (SAGE), which comprises the Vice Chancellors of the two universities, the Principal of the South Australian College of Advanced Education, the Director of the Institute of Technology, the Director of Roseworthy Agricultural College and the Director-General of TAFE, to discuss responses to the Commonwealth on this matter. Doubtless I will be kept posted on their discussions with respect to the State's restructuring arguments at that time.

The buff-coloured document that was issued at the time of the announcement of the ministerial working party contains one inaccuracy: it talks about legislation in 1988. That is incorrect. If there is to be any legislation, it will be put

forward in 1989. The initial implementation date was 1989 but that has been put back to 1990. The effective date will be 1991.

**Mr S.J. BAKER:** Has the concept of two universities been jettisoned?

**The Hon. L.M.F. Arnold:** I am not prepared to say that. Certain facts must be seriously considered. The new system introduced by the Federal Minister, which is a definitive statement, says that there shall be a unified national system. Those institutions that do not apply or do not get access to the unified national system will simply be given teaching contracts with the Federal Government with respect to funds. In other words, they will not get any research funding. An institution cannot apply unless it has fewer than 2 000 equivalent full-time students (EFTS). If an institution has fewer than 5 000, all it will get is teaching moneys: it will not get research moneys under the Commonwealth program. If an institution has between 5 000 and 8 000 EFTS, it will get some specialist research moneys. Only institutions with more than 8 000 will be guaranteed access to research funding as a general part of their funding base.

Of the five institutions in South Australia, one is below the 2 000 mark (Roseworthy Agricultural College), so if it wishes to become part of the unified national system, it must have a relationship with another institution if not an amalgamation. The three other institutions are all below 8 000. Admittedly, Adelaide University is just below that, and Flinders University is below 5 000. On present indications, that means it should not get any research funding under this model. SAIT is just above 5 000 and the South Australian College is just above 8 000.

SACAE certainly has research programs, and that is to be acknowledged. However, the significant research work undertaken at Adelaide University, Flinders University, the Institute of Technology and Roseworthy Agricultural College suddenly does not get a guernsey under the new unified national system grid established by the Federal Minister, and that is a point of very serious concern.

Adelaide University does not have very far to go to get above 8 000, so that may resolve its problems, but that does not do anything for Flinders University or the Institute of Technology. That is why I have been strongly supportive on behalf of the restructuring of the South Australian institutions', not in spite of them. In that context, a status quo environment of five institutions, or effectively four institutions if Roseworthy Agricultural College has a relationship, does not immediately seem viable. The situation then comes down to three, two or one, and that is what I believe the working party will end up focusing its attention on: which of those three options is the best.

**Mr S.J. BAKER:** Is the Minister aware that a working party of the SACAE council is looking at substantive positions at the senior executive level, given his experience last year with certain changes made at that level—I think it is called 'shoring up the ship before it sinks'—and has the Minister expressed any concerns to SACAE about the operations of this working party?

**The Hon. L.M.F. Arnold:** Certainly the honourable member recalls I expressed concern last year. The Hon. Robert Lucas in another place expressed very public concern about that same issue. We, as a State Government, were very concerned about that. It was clear and we indicated at the time that we did not have the legislative authority to directly interfere in the processes, although we did express our strong disquiet about it. Only this week I heard that this matter is again under consideration. I am awaiting further details. If it seems appropriate, I will certainly consider making another representation to the college. I remind the honourable mem-

ber that the legislative authority I have in this area is in fact nil.

**Mr S.J. BAKER:** I presume that the Minister will follow other courses to ensure that the restructuring is not in any way impeded by particular officers involved with the colleges making life difficult in terms of future positions under a restructured arrangement?

**The Hon. L.M.F. Arnold:** I hear what the member for Mitcham says. I am obliged by Act of Parliament to adhere to legislative requirements. My capacity to intercede or make representation is certainly not taken away, but the SACAE governing legislation only gives me the right to be consulted only in matters of teacher education, and that is a right of consultation, not a right of direction. Also, I have a right of appointment of members of the council who come out in two yearly lots, but that has to be done with a great degree of fairness.

**Mr S.J. BAKER:** Returning to page 207 of the Program Estimates, I note that \$240 million was allocated to policy development. It was probably the most expensive policy development in Australia, but I know that that relates to the expenditure of money in the major institutions. I am concerned that the 1988-89 allocations are so different in terminology from the 1987-88 allocations. Program 1 under 'miscellaneous' makes it impossible for me to draw comparisons. Will the Minister provide the same split-up as for 1987-88? We have not restructured the institutions and it would make my life easier if I could see what gets what.

**The Hon. L.M.F. Arnold:** We will take the question on notice. One of the principal briefs of the office is to act as an adviser to the State Government and the Commonwealth Government on matters to do with the planning and development of tertiary education. What may seem like an expensive unit for an office of 11 people is not that at all; it is a function for the entire tertiary education sector of South Australia. In that context it does not seem so large anymore.

**Mr S.J. BAKER:** I was aware of that. My breakdown related to pages 77 and 78 of the Estimates of Payments. That is the detail that I want for 1988-89. Regarding nurse further education, I note that \$3.8 million was allocated in 1987-88 and \$6.8 million in 1988-89. Will the Minister provide the retrospective student numbers for each year?

**The Hon. L.M.F. Arnold:** We will provide a table, but I point out that the Office of Tertiary Education was previously included under the miscellaneous line. We did not think that was adequate reporting to the Parliament and this model was prepared. Perhaps we should have done last year's breakdown as well. No figures like this were available in the budget last year. We are trying to improve budget information. We will include a table on nursing and the projections for next year.

**Mr S.J. BAKER:** I note that an increased grant has been made available to the Aboriginal Community College. Will the Minister provide enrolment figures for 1988 and projected figures for 1989 by gender.

**The Hon. L.M.F. Arnold:** I will obtain that information on notice. The figure for the college is made up of a cocktail of State moneys as well as Commonwealth moneys. Progressively the State proportion is increasing as a result of an agreement approved between the Commonwealth and the State in 1986. Back in 1985-86 the only funding for the Aboriginal Community College was Commonwealth funding. The Commonwealth indicated that it would draw from that. We discussed the matter and now have a phased program whereby we are coming in and picking up that funding over the years. The Commonwealth contribution for this year is \$695 000 and the State contribution \$385 000.

That will become progressively larger with the Commonwealth contribution becoming progressively smaller.

**Mr S.J. BAKER:** I refer to the non-business college item. I presume that there has been a change in the funding arrangements and that more Commonwealth moneys have come through. Has the Minister made any representations to the Federal Government about problems facing students of business colleges in respect of Austudy?

**The Hon. L.M.F. Arnold:** That money is entirely Commonwealth money and is being phased out. With respect to Austudy, students of business colleges receive Austudy grants, but some colleges do not. The division between the courses that are applicable for Austudy and those that are not is something that we will have to work on to see if there is a rationality or an irrationality. If it appears that there are major weaknesses in the application of Austudy that matter will be pursued.

**Mr S.J. BAKER:** I refer to the figure of \$1.4 million for the South Australian Institute of Technology for 1988-89. What does that figure represent?

**The Hon. L.M.F. Arnold:** Previously this figure appeared under the TAFE budget. The TAFE Department provides

the vast majority of TAFE training in this State, but for some of the advanced certificate and certificate work we have subcontracted the Institute of Technology to provide certain courses. So, every year there has been an annual payment for those courses, and that is the annual payment from the State Government to SAIT for the TAFE type courses that it is running on a subcontracted basis.

**The CHAIRMAN:** There being no further questions, I declare the examinations completed.

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Minister of Employment and Further Education, Miscellaneous, \$1 075 000—Examination declared completed.

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**The CHAIRMAN:** I lay before the Committee a draft report for Estimates Committee A.

**Mr TYLER:** I move:

That the draft report of the Committee be adopted.

Motion carried.

At 6.23 p.m. the Committee concluded.