

HOUSE OF ASSEMBLY

Thursday 21 September 1989

ESTIMATES COMMITTEE A

Acting Chairman:
Mr K.C. Hamilton

Members:
Mr D.S. Baker
Mr M.R. De Laine
The Hon. B.C. Eastick
Mr T.R. Groom
Mr J.K.G. Oswald
Mr M.D. Rann

The Committee met at 11 a.m.

The ACTING CHAIRMAN: The procedure will be relatively informal. There will be no need to stand to ask or to answer questions. Changes in the composition of the Committee will be notified as they occur. If the Minister undertakes to supply information at a later date, it must be in a form suitable for inclusion in *Hansard* and two copies must be submitted no later than Friday 6 October to the Clerk of the House of Assembly. I propose to allow the lead speaker for the Opposition and the Minister to make an opening statement, if they desire, which statement should be about 10 minutes but no more than 15 minutes in length.

There will be a flexible approach to questions, being three from each side, and members may be able to ask supplementary questions. Subject to the convenience of the Committee, members outside the Committee will be given the opportunity to ask a question once the questions on that item have been exhausted by the Committee. Questions must be based on lines of expenditure as revealed in the Estimates of Payment. Reference may be made to other documents such as Program Estimates, the Auditor-General's Report, etc. Questions will be directed to the Minister and the Minister can refer those questions to his advisers for a response.

Police, \$184 628 000; Minister of Emergency Services, Miscellaneous, \$16 042 000

Witness:

The Hon. J.H.C. Klunder, Minister of Emergency Services.

Departmental Advisers:

Mr P.M. Hurley, Deputy Commissioner, Police.
Mr D.J. Hughes, Director, Administration and Finance.
Mr M.D. Wall, Chief Resource Analyst.
Mr F.E. Bowering, Chief Finance Officer.
Mr G.R. Schneider, Property Manager.

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

The Hon. J.H.C. Klunder: I should like to clarify certain issues regarding Police Department funding and staffing which I hope will assist the Committee in its proceedings. Since the police budget was announced there have been a range of statements in the press and in Parliament about

the extent of the increased funding and staffing proposed by the Government for the Police Department. Some of the statements have been quite misleading and others have displayed a lack of understanding about the way in which police officers are recruited and trained. Some have also failed to recognise the complexities of comparing budgets between financial years.

First, I deal with the additional funding aspect and to counter claims which have been made, such as the claim that the police budget has suffered a cut in real terms, the claim that the police budget this year is below inflation and the claim that cuts appear to have been made in some areas of the police budget to accommodate the extra police numbers. From the outset, I stand by my earlier statement that South Australia has the best resourced Police Force of any State in Australia. This can be demonstrated in terms of the police to population ratio and the per capita expenditure on the police. I would be pleased to provide more specific details on both aspects at a later stage in the proceedings if members require them.

Furthermore, police funding has been increased in real terms every year since 1982 when the Bannon Government came to office. The claims that the police budget this year is way below inflation is not true. When comparing budget allocations between years it is necessary to look at total police funding, which includes recurrent and capital expenditure. Simply to take one element, such as the recurrent budget does not show the total picture.

It is also necessary to make adjustments between proposed expenditure and actual expenditure for the previous year for one-off payments such as occurred in police with backpay for salary restructuring which accounted for about \$5 million in 1988-89. Changed arrangements for areas such as workers' compensation must also be taken into account—this alone, resulted in a further \$1.1 million variation between this year and last. Furthermore, provision for wage increases expected to be granted during the year is not included in the department's initial budget but provided from the 'round sum allowance'—this involved \$4.78 million in 1988-89. If all these things are taken into account, the actual increase in the police budget in 1989-90 is expected to be about 11.7 per cent or, when adjusted for inflation, about 5 per cent in real terms. The full year cost (next year) of the many new initiatives for police in the 1989-90 budget produces an even better result.

In response to the claims about cuts, I can assure the Committee that there have been no cuts in other areas of the Police Department to fund the initiatives announced in the 1989-90 budget. Where initiatives have been approved, additional and specific funding has been provided as a result.

I now turn to the increase in police staffing numbers. It is in this area that I believe there has been the most confusion. For example, there have been claims that the announced staffing increases were required to compensate either partly or fully for the introduction of the 38 hour week. Others have tried to infer that the increased police numbers are required solely to offset attrition in the past year. The favourable police to population ratio has also been challenged, on the basis that police numbers include the Police Band etc, which are not regarded as front line community policing type roles.

Concern was also expressed by some that, of the 152 extra police to be phased in over three years, only 55 will go 'on the beat'. Statements were made that funding provided for the staffing increases is insufficient to provide for the additional police numbers announced by the Government. I trust that the following information will clarify some of

these issues relating to police staffing. The Government has already announced in the budget that an additional 152 police positions will be provided over the next three years, with the majority (101) being recruited and commencing training in 1989-90. None of the 152 extra police officers will be required to meet normal attrition, as specific funding is provided to recruit cadets in advance of anticipated attrition to maintain the approved active strength of the Police Force. For example, in 1988-89 sufficient extra recruits were taken into training to meet expected attrition from the force in 1989-90: these trainees will graduate progressively throughout the year. During 1989-90 funds have been provided to enable some 130 cadets to be recruited on top of those required for new initiatives, to cover attrition in 1990-91.

Furthermore, none of the additional cadets being recruited either for attrition or new initiatives is required as a result of the 38 hour week: 140 additional police were provided specifically for this purpose during 1986-87, the year in which the 38 hour week for police was introduced. This number (140) was agreed with the Police Association at the time as meeting the full impact of the 38 hour week. I again emphasise that the 152 extra police are for new initiatives, in particular, the appointment of 55 additional police to enable an increase in uniform policing patrols; 19 additional police officers to meet the Government's commitment to the National Crime Authority; 12 additional police to support social justice initiatives in the area of victims of crime, namely child protection and domestic violence; 45 additional police to meet the requirements of the Muirhead Royal Commission into Aboriginal Deaths in Custody (15 police officers for each of the next three financial years); and 21 additional police positions for other priority areas including Anti-Corruption Branch, equal employment opportunity, Communications Centre, and operations planning and intelligence. (As a matter of interest, 15 additional public servant positions will also be provided, mainly in the areas of operational support.)

It is not reasonable to assume, as some would have us do, that the 98 police positions beyond the 53 increase in uniform policing patrols are to undertake administrative tasks and, thus, have no impact on operational/community policing. In fact, if one analyses the initiatives for which additional police have been provided, one sees clearly that high emphasis has been given to meeting direct operational policing needs.

Recruitment of the 152 extra police will commence at the next cadet intake next month. Intakes will continue at a rate recommended by the Commissioner of Police based on the capacity of the department to train additional personnel over and above those required for attrition, and in a manner that will have minimal impact on the department's all important in-service training program.

Based on the proposed recruitment program, some 137 cadets over and above those required to meet normal attrition will have been taken into the academy for training by August 1990. This comprises an initial 122 for each of the initiatives outlined earlier, plus the second 15 for Aboriginal custody deaths. The remaining 15 for custody deaths will be taken into the academy during the first intake of 1991-92 (that is August 1991).

It must be stressed that the initial 122 recruits will be taken into training as soon as the training system will allow. In order to maintain the high police standards that we have come to know and expect, these recruits must complete the full 12 months training program before graduating as active operational police officers. In relation to when these additional police will graduate and be appointed, I advise as

follows: by September 1990 (that is, 12 months after the intake that starts next month) 33 police will have graduated; by February 1991 that number will have grown to 68; by April 1991 it will have grown to 101; by July 1991 it will have grown to 137; and by July 1992 the full 152 police officers will have graduated.

Attempts to undermine the favourable police population ratio by references to the inclusion of police officers in the band, and so on, in the total police numbers does not bear fruit. Units such as the band provide a very valuable community policing role as well as an operational support role. Finally, I assure the Committee that sufficient funding has been provided in the police budget to recruit the additional police numbers which were announced by the Government and which are in line with the above mentioned recruitment strategy.

The Hon. B.C. EASTICK: Does the Minister have a car phone or cellular phone rented or paid for at taxpayers expense? If so, when was it installed? What was its cost of acquisition and installation? What were the operating costs last financial year and to date this financial year? What is the breakdown of cost for local, STD and ISD calls?

The Hon. J.H.C. Klunder: I do not have a car cellular phone.

The Hon. B.C. EASTICK: I refer to page 452 of the Program Estimates. What number of property offences and violent offences came to the notice of police during 1988-89 (the documentation shows them per 100 000)? What was the total number of offences and the numbers per 100 000 of population during 1988-89 in the following categories: break-ins of dwellings; breaking and entering offences; robberies; serious assault; rapes and attempted rapes; drug offences; and arson and wilful damage. I appreciate that this information will be available through the Commissioner's report at a later stage, but it is relevant to the year just past and the year we are now looking at.

The Hon. J.H.C. Klunder: That information is available. However, I will take that question on notice and give the honourable member a considered reply.

The Hon. B.C. EASTICK: As at 30 June 1989, how many police officers of various ranks, such as commissioned officers, constables, trainees and support staff, were in the force? During 1988-89, how many police retired and what were their ranks; how many police were appointed and what were their ranks?

The Hon. J.H.C. Klunder: The 1989 figure for active actual full-time equivalent police was 3 403, support staff totalled 512.1. During 1988-89, 39 police officers left on age retirement, 19 left on invalid retirement, 87 resigned, one was dismissed and two died, giving a total of 148. The total number of male staff was 3 065 and female 500, giving a total of 3 565. There are some variations from that in terms of recruitment and retirement during the year and I seek leave to have a table inserted in *Hansard* showing the relevant figures.

Leave granted.

Police Strength—Male/Female Breakdown

Rank	Male	Female	Total
Commissioner	1	—	1
Deputy Commissioner	1	—	1
Assistant Commissioner	4	—	4
Commander	1	—	1
Chief Superintendent	13	—	13
Superintendent	25	—	25
Chief Inspector	34	1	35
Inspector	41	1	42
Senior Sergeant	166	2	168
Sergeant	386	11	397

Senior Constable First Grade	541	9	550
Senior Constable	659	14	673
First Class Constable	301	62	363
Constable	750	337	1 087
Police Aides	10	—	10
Probationary Constable	39	23	62
Cadets	93	40	133
	3 065	500	3 565
Recruited During 1988-89.	92	41	133
		(1)	
		(2)	

(1) Less 19 inactive and 10 Police Aides=3 536 (Total Police including 133 cadets)

(2) Includes technical and other people

Mr GROOM: I congratulate the Minister on his effective handling of this and other portfolios during his first year as Minister.

Mr D.S. BAKER: This is a dorothy dixer.

Mr GROOM: It is not a dorothy dixer, and I am glad that it is unanimous: it is of great concern to police officers. I am sure that members of the Committee and community are well aware of the difficulty and sometimes highly dangerous tasks required to be undertaken by police officers. This quite clearly of its nature leads to stress in a number of instances. Will the Minister advise what measures are being taken by the department not only to increase awareness by police officers about stress but also to assist police officers, who undertake these highly dangerous tasks from time to time, in overcoming stress-related problems arising out of the high level of commitment to this type of duty?

The Hon. J.H.C. Klunder: The stress situation occurs in the Police Force and a number of measures are taken to combat it. The Police Welfare Office and Police Psychology Unit cooperate in the development and delivery of programs designed to increase the awareness of members about stress and its impact on health and work performance. These proactive measures cover all recruits and some in-service training courses. A stress management program has been developed which couples may attend on a voluntary basis to consider the appropriate management of stress and lifestyle issues.

A Police Rehabilitation Committee, comprising the Senior Police Welfare Officer, Chief Police Psychologist, Police Medical Officer, Rehabilitation Coordinator and Personnel Services Establishments Officer, meets weekly on a structured basis to assist in the management, treatment and rehabilitation of employees suffering severe stress reactions. Many suffering from other long-term health problems have some stress or psychological component to their condition. This committee operates in confidence and works towards the resolution of the individual's situation by rehabilitation, alternative placement or invalidity retirement, and so on.

Post-trauma intervention procedures have been fully implemented. These procedures are aimed at providing immediate assistance to members who have been involved in a major stressful incident in the line of duty. The procedures provide for the member to be debriefed by a departmental psychologist and, where necessary, for follow-up counselling to take place. These departmental programs and procedures are constantly reviewed with a view to minimising stressful situations, providing better stress management techniques and appropriate support and assistance to the members affected.

Mr GROOM: Referring to page 463 of the Estimates of Payments and the topic of occupational health and safety, as the Minister knows there is a growing awareness of and an increasing need for sound occupational health and safety practices. Special attention must be given to occupational

health and safety issues. What procedures have the Police Department adopted to recognise and encourage occupational health and safety?

The Hon. J.H.C. Klunder: The Police Department management's approach to occupational health and safety is based on the code of general principles and the package of management guidelines and data sheets that were issued at the direction of Cabinet. Implementation of the requirements identified in the recently proclaimed Occupational Health, Safety and Welfare Act is being undertaken. Management has accepted its inherent accountability for the work environment and a safety policy has been written and disseminated to all employees. A senior sergeant has been appointed as a full-time occupational health and safety coordinator, and for many years the department has included in its operations an Occupational Health and Safety Committee. The committee membership has been revised to facilitate joint employer-employee consultation and to ensure representation of employees in every command, and that committee meets monthly.

Each regional commander or the equivalent is accountable for health and safety issues within his or her area of responsibility. All regional conferences incorporate the topic as a regular agenda item. Forty separate health and safety committees have been formed and 75 safety representatives have been elected in accordance with the Act. A continuous education program is conducted, with the coordinator speaking at training programs, courses and conferences. This topic is an inherent part of the department's policies and procedures. A recently installed computer will provide improved administrative access and procedures and will enable the production of data required under the Occupational Health, Safety and Welfare Act for annual reports. It will also provide compatibility with the Government Workers Compensation Office records on injury, compensation and rehabilitation matters.

Mr RANN: All members of the Committee would be aware of an increasing anxiety in the community about the growing incidence of AIDS in Australia. I am aware that, in relation to AIDS, police officers are increasingly placed at risk by the very nature of their duties, which can involve their coming into direct contact with AIDS carriers, often in difficult circumstances. What steps has the Police Department taken to reduce the risk of police officers contracting AIDS in such circumstances?

The Hon. J.H.C. Klunder: The department has responded to the risk of AIDS infection in terms of protecting its members by adopting fully the recommendations of the National AIDS Task Force which, as members may know, were first issued in 1985. Initiatives taken in previous years have been reinforced and monitored. They now form part of normal departmental practices and procedures and have included the following: improved mouth-to-mouth resuscitation equipment combined with St John training; the purchase, distribution and use of disposable protective clothing and disinfectant; improved procedures for packaging and handling blood samples, exhibits and suspect materials and the handling and processing of suspect people; continuous education with training personnel and the Occupational Health and Safety Coordinator's providing input to training programs; and the purchase and use of videotapes and personal distribution of the 1987 National Advisory Committee on AIDS information booklet to all members. A draft policy has been developed in relation to rehabilitation care measures to be adopted when a member of the Police Department contracts either AIDS or hepatitis B.

Following the development of the draft policy, a survey of employee attitudes was conducted by the special projects

section in order to evaluate the appropriateness of certain provisions of the draft policy. After further refinement the draft policy will be considered by the Occupational Health and Safety Committee later this year.

The Hon. B.C. EASTICK: As at 30 June 1989 how many police had been seconded to the NCA and the ABCI, and other such agencies? How many police engaged in motor mechanic jobs and other non-operational jobs were in the force? It is indicated at pages 54 and 55 of the Financial Statement No. 1 that 152 police will be appointed over three years. The Royal Commission into Aboriginal Deaths in Custody recommended that 15 additional police officers be appointed. When will that occur?

Further, when will the 19 police to meet the commitment to the NCA be appointed, and are they additional to those who have already been appointed? When will the 12 police pertaining to the initiative relating to victims of crime, child protection and domestic violence be appointed, and what specifically will be their tasks? When will the 55 police for general policing duties be appointed and in what areas? I realise that in his statement the Minister referred to this aspect, in part. Also, when will the 21 police for areas such as anti-corruption, firearms control and staffing for the new communications centre be appointed, and what will be their tasks? Further, where will the other 14 non-police personnel be placed and when will they be appointed? What anti-corruption work is proposed and what firearms control is envisaged?

The Hon. J.H.C. Klunder: I am not sure that I got down all those questions, but I will try to respond to as many as I can. I have not yet discussed with the Commissioner the actual placement of each and every one of those categories to which the honourable member has referred. Clearly, the recruits that are going to be trained and who will become available progressively over the next couple of years will not be the people who will be specifically placed in the positions that I referred to earlier. They will be back-filling the positions that other people will leave in going to their specialised positions.

Since it will be some considerable time before the first of these recruits becomes available, there is not an immediate urgency to know the order in which people are going to be appointed, and I have not yet discussed that with the Commissioner. Indeed, while I may discuss that with the Commissioner, it is he and not I who has the operational command of the Police Force, and he will no doubt decide to place those people in those positions as he perceives the need arising.

The Hon. B.C. EASTICK: At page 452 of the Program Estimates we see that a 1989-90 specific target/objective is to maximise the number of reactive patrols in order to reduce the response times to category A taskings. Will this greater involvement incorporate more single person patrols during daylight hours and, if so, will the Minister elaborate on what are category A taskings, B taskings and C taskings?

The Hon. J.H.C. Klunder: We do not have the precise detail on each of the categories, so I will take that question on notice and provide the honourable member with a reply by the appropriate date.

The Hon. B.C. EASTICK: Following the statement on 5 May this year by the National Crime Authority's Chief Investigator in South Australia, Carl Mengler, that organised crime and corruption is just as widespread in this State as anywhere else in Australia, has the authority provided any information to the Government or the police to support that statement; if so, without identifying any individuals alleged to be involved, are any employees of the State Government or its agencies involved?

The Hon. J.H.C. Klunder: The Attorney-General was asked that same question last Friday. If the honourable member wishes me to read out that answer, I can do so.

The Hon. B.C. EASTICK: I am asking the Minister responsible for the Police Department.

The Hon. J.H.C. Klunder: As the Attorney-General also explained, the operational aspects of the NCA are handled by the Attorney-General. It is funded through my lines, so questions which dealt with the operational nature of the NCA should have been referred to the Attorney-General. During his time before the Estimates Committee, he invited questions on the operations of the NCA.

Mr RANN: With respect to Aboriginal deaths in custody, the need to improve conditions at police cell facilities was given attention in the recent report of the Muirhead Royal Commission. I know this has been a subject addressed by the Public Works Standing Committee in consideration of the Ceduna police complex. At page 457 of the Program Estimates, reference is made to a review and update of Police Department cell accommodation to help reduce the incidence of deaths in custody. Will the Minister indicate the impact the recommendations of the Muirhead Royal Commission have had on the Police Department's operations and cell facilities, and what is being done to address these matters?

The Hon. J.H.C. Klunder: In terms of cell design principles, clearly there was an intent by the Muirhead Royal Commission that existing detention facilities should also be included, as well as the building of new cells complexes. An allocation of \$650 000 has been made available in 1989-90 as the first stage of a three year program to upgrade existing cells in 30 priority locations. The design issues being addressed include: installation of fine weave mesh to cover open bars; installation of cell intercom/alarm systems to enable communication between prisoners and cell guards; installation of television surveillances where applicable; provision of adequate outdoor exercise enclosures; provision of multi-occupancy cells; removal and/or upgrading of unsafe fittings/fixtures; and provision of a special visitation rights room where possible.

The ongoing major works program enabling the construction of replacement detention facilities adds further improvements to those mentioned above. In particular, the designs provide for building integration between the police station and the cells to ensure there is the maximum opportunity for close surveillance of prisoners.

Funds have been provided in the 1989-90 budget for new cell facilities at Ceduna, Port Adelaide, Kadina, Whyalla, Berri, and Port Pirie. The total cost of construction at these locations is \$5.95 million, of which \$3.35 million was appropriated in 1988-89. A further \$750 000 has been allocated for improvements to the City Watch House and funding has also been made available to enable detailed design work for a replacement cell complex at Elizabeth, and the upgrading of cells at Christies Beach.

Of the 56 recommendations in the interim report of the Muirhead Royal Commission which covered a wide range of issues to counter the disproportionate level of Aboriginal custody deaths, in general terms, the recommendations covered: sentencing practices; the treatment of intoxicated persons; conditions and procedures at police lock-ups; conditions and procedures at prisons; medical issues; and post-death investigations.

Some 39 of the recommendations have a direct bearing on Police Department operations and cell facilities. In conjunction with the Government's commitment to the implementation of all recommendations, the department has formulated a series of strategies to pursue the practical

details of implementation. The central themes of the police strategy include: police training programs covering a range of operational procedures, first-aid training, and detention practice; appointment of a senior commissioned police officer to liaise with the Royal Commission and other relevant agencies; extension of the Aboriginal Police Aide Scheme to three additional locations; a prioritised program of cell upgrades to improve standards to acceptable levels; the recruitment of 15 additional police officers in each of the next three years, which has already been mentioned; the acquisition of three additional vehicles to enable the transfer of prisoners to 24-hour detention centres; the review of resuscitation equipment needs; and continuation of major building works programs to ensure high quality detention facilities at all major 24-hour locations.

Mr RANN: I am aware that the Aboriginal Police Aide Scheme was introduced several years ago and is proving to be highly successful. The Minister or Aboriginal Affairs (Hon. Terry Hemmings) took his Aboriginal Affairs Select Committee to Marla to meet with police aides and with Sergeant Morrison. As a member of that committee, I was very impressed with what we saw and heard. At page 455 of the Program Estimates is a reference to an expansion of the Police Aide Scheme. Can the Minister provide an update on the scheme and what expansion has taken place or is proposed?

The Hon. J.H.C. Klunder: I certainly agree with the honourable member that the Police Aide Scheme has been a very effective one and one which has been accepted very well by both the Aboriginal communities and the non-Aboriginal communities in those parts where it operates. The scheme commenced on 3 November 1986 at Indulkana, Fregon, Ernabella and Amata, within the Pitjantjatjara lands. Initially, four persons were selected from those communities to undertake a four week training course at the Police Training Reserve, Echunga. They were then returned to their respective communities to be further trained and supervised by a police aide supervisor for a period of 12 months.

At the end of 12 months the four supervisors were withdrawn. However, as a result of consultation between the Pitjantjatjara people, the South Australia Police Department, and the South Australian Government, four additional aides were selected at Indulkana, Fregon, Ernabella and Amata and a permanent supervisor was placed at Amata who supports and provides assistance to the police aides at Ernabella and at Pipalyatjara. In July 1989, police aides were appointed to Mimili and Pipalyatjara (one at each location).

Plans are well in hand to have a police aide and police supervisor to be stationed at Yalata. The police aides are under the direction of the Officer in Charge, Marla Police Station. They receive support from police personnel at Marla and Amata, and this support is augmented by regular visits to the Pitjantjatjara lands by the Police Aide Liaison Sergeant. Police aides in one community give support to other communities when extra policing is required, for example, at football carnivals. Police aides have specific identified police powers within the Pitjantjatjara lands.

With assistance of Commonwealth funding of \$540 000 to date, plans are well advanced to construct police office and cell facilities at Mimili, Pipalyatjara, and Yalata, and to assist with provision of appropriate housing. The Commonwealth has also contributed \$131 000 towards the first 12 month cost of salaries and operating costs for the three aides for these locations and the police supervisor at Yalata. Each aide centre will be provided with the following equip-

ment: four-wheel drive vehicle, radios, prefabricated office/cell block, and a residence.

Mr RANN: This question may have to be taken on notice as it involves some figures. It relates to South Australia's serious crime rate compared to other States. How do we compare in terms of the murder rate, for instance, with other Australian States, and how do we compare in terms of serious crime with comparable States in the United States? We sometimes hear on talk-back shows that crime in South Australia is as bad as in the US, yet the murder rate in Washington DC is 28 times higher than for Adelaide even though it has almost the same population. It would be useful for the Committee to have some comparison of our murder and serious crimes rate with other States and perhaps other places in the world.

The Hon. J.H.C. Klunder: This is a very difficult area in which to provide information because it is collected in different ways in different States. We will try to get for the honourable member some areas where comparison is more easily available than try to make an across-the-board comparison with other States, because I do not think that is possible. For instance, if five rapes have been committed by one person on another person over a period, that would be counted as one offence in South Australia, whereas in other States it would be counted as five offences. Therefore, the clear-up of that crime in South Australia would be taken as the clear-up of one criminal offence, whereas in other States it would be considered as a clear-up of five criminal offences. Such statistics make it difficult to give clear comparisons between the States. We will try to give the honourable member some areas where the comparison is less unclear than in others.

The Hon. B.C. EASTICK: On page 453, still on the 'Protection of persons, their rights and property', in the first column, under '1988-89 Specific Targets', we are advised, 'The relationships between organised crime and possible corruption of public officials and private enterprise is continually being monitored'. Again, for 1989-90, there is a statement, 'To continue to monitor the relationships between organised crime and possible corruption of public officials and private enterprises'. What is meant by 'monitoring'? In particular, what are the numbers of police in the Anti-Corruption Unit; for how long has it been operating; to 30 June 1989 how many cases had been referred to it; how many had been resolved and in what way; how many matters were still current; and, finally, how is organised crime defined for the purpose of this reference in the budget papers?

Mr Hurley: It is somewhat difficult to pick up all the questions that were asked, other than to say that it would need some research to check the number of cases which have been referred to the ACV and equally the numbers that have been cleared up or otherwise. The ACV will have an establishment of 11 people with the flexibility to add *ad hoc* task force personnel on an 'as needs' basis. I would need to do some research to provide answers to the other questions.

The Hon. B.C. EASTICK: Will the Minister identify how many officers there are in the Crime Task Force; where it is based; what are its duties; and, between 1 January 1989 and 30 June 1989 and from 1 July to the present, how many prosecutions have been laid for licensing, gaming and vice offences and with what result; and how many persons involved in organised crime have been identified?

The Hon. J.H.C. Klunder: While we try to get the statistics ready, I may give a generalised answer. On 31 December 1988 the Vice, Gaming and Licensing Squads were disbanded and the responsibility for policing those offences

was transferred to regional commanders. On 1 January 1989 the Crime Task Force was formed within Crime Command. The objectives of the units are to investigate organised and serious crimes which are not declared major crimes, including vice, gaming and licensing offences, where organised crime involvement can be shown. The lesser offences are dealt with at regional level. The authorised establishment of the unit is one detective senior sergeant, three detective sergeants, seven designated detectives, and six non-designated investigators. Equipment and vehicles necessary to establish the units were transferred from the Vice, Gaming and Licensing Squads. I will ask the Deputy Commissioner to give a detailed response on the statistics.

Mr Hurley: The statistics are not available in the precise form requested by the honourable member. The locale for the Crime Task Force is central headquarters. For the first three months after its formation it was necessary to have a training program and for the officers to get in place. As a comparison, in the six months July to December 1988, 22 vice offences and 27 gaming offences were detected. From April to September (5½ months) the figures were 39 and 71 as opposed to 22 and 27. I do not have the time frames that the honourable member listed, but if it is deemed necessary we could get them for him.

The Hon. B.C. EASTICK: The basis of the question was to seek the different public position as between the association and the official police version. I cast no reflection on either body. However, it is necessary that there should be a clear understanding that the runs are or are not on the board. Mr Hurley's statement suggests that they are on the board.

The Hon. J.H.C. Klunder: The time frames in Mr Hurley's answer do not exactly match. However, a move from 22 over six months to 39 over 5½ months for vice and from 27 to 71 gaming offences over similar periods suggests that the move has been successful.

The Hon. B.C. EASTICK: On page 454 there is a reference to the policing directly associated with the Grand Prix. How many officers are involved in the Grand Prix weekend; what is the cost of policing this event; is any part of that cost recovered; and does the Government still have plans to recover the cost of policing from organisers of major events?

The Hon. J.H.C. Klunder: I will deal with the last part of the honourable member's question first. The option of recovering costs from organisers is not being considered. The personnel involved on the actual Grand Prix day in various areas associated with the Grand Prix number 520. That includes traffic police in surrounding areas as well as people actually attending the Grand Prix and the Hindley festival. The cost of the special operation relative to the Grand Prix and associated events was \$373 000, of which only \$105 000 was an additional cost.

Mr GROOM: What is the current policy of the department with regard to the re-employment of police officers who at various stages of their careers have resigned and then wished to resume a career in the Police Force?

The Hon. J.H.C. Klunder: The force operates under very strictly controlled staffing levels and standards, therefore recruitment opportunities are generally limited and highly competitive. The departmental recruitment policy is to accept the most suitable from all applicants available at any specific time. The re-enlistment policy promotes merit as well as equality of opportunity for all who desire to enter the force at a particular time.

The department's re-enlistment policy provides for promotion of equality of opportunity by requiring personnel who have broken service with the department to achieve

the same recruitment standard as first employment applicants. So, members and cadets who voluntarily terminate service from the force may be considered for re-employment, but only under certain criteria, the first being age: the statutory upper limit is 29 years, except in special circumstances for those possessing specialist skills, knowledge, qualifications or experience. All re-entry applicants must meet current recruitment standards and, in general, compete equally with other applicants for vacancies, although former employment history may be considered. Applicants for re-entry other than those with specialist skills must undertake a pre-entry examination. Subject to acceptance, a four-week introductory training course is required for all re-entrants. Failure in the re-entry examination requires completion of the full cadet training program. All re-entrants will be regarded as new entrants and normal assessment procedures would apply.

Excluding civilian qualifications, re-entrants will not be credited with any previous police employment accreditations or accruals. Again excluding specialists, re-entrants will be recruited only to undertake general shift work duties. Progression to other areas will be on merit alone. All members who separate from the department are offered exit interviews. They are acquainted with the re-enlistment policy and an acknowledgement is received that it has been read and understood. To 30 June, nine former members have re-enlisted under this policy.

Mr GROOM: I understand that the Police Department is considering the introduction of one-person patrols where it is considered appropriate. Will the Minister advise the department's intention in that regard and, in giving his answer, will he comment on the likely impact of any such proposals, if implemented, on police officer safety?

The Hon. J.H.C. Klunder: The concept of one-person patrols is not new in any shape or form. Country police are frequently on their own; motor cycles, by definition, have to be single person patrols; traffic police frequently operate alone; and supervisors tend to travel alone in their supervisory vehicles. In June this year a six month pilot study into one-person patrols during daylight hours only was commenced in the Christies Beach patrol district which extends from O'Halloran Hill to Sellicks Beach. At the same time, the strength of the five patrol teams was increased from six to eight. The pilot study commenced following consultation with Christies Beach personnel and other interested parties, including the Police Association.

The trial concept during daylight hours was supported by a clear majority of the police involved, although there were some who had misgivings. These members tended mainly to be young with some self doubt about working on their own. The concept is an extension of existing one-person arrangements, which include those I have already mentioned as well as crime inquiry units and, by necessity, patrol units, due to sick leave. The prime considerations have been officer safety and operational efficiency.

Patrol sergeants control the number and type of patrols tasked to a particular job. It should be noted that at all times there is a two-person patrol in the central business district of Christies Beach. This is supplemented by two supervisory patrols and four single-person patrols. Single-person patrols are tasked by themselves only to low risk situations such as taking reports of crime, conveying documents or messages, or preserving crime scenes. Ongoing reviews are being conducted with members involved in the pilot study and other interested parties, including the Police Association and other areas of the department.

Mr RANN: I understand that in the next few days the Public Works Standing Committee will hear evidence on

the Port Adelaide police/court complex. It is interesting to note (page 51 of the Capital Works Program) that this facility will be located on the Old Port Adelaide Dock Railway Station site. Will the Minister advise on the current status of the project, including some of the facilities to be provided at the location?

The Hon. J.H.C. Klunder: This project involves the replacement of police facilities at Port Adelaide which are currently in poor condition and spread between three buildings in Port Adelaide and Birkenhead, and the replacement of similarly unsatisfactory court buildings. In the case of both agencies, the facilities have been outgrown by the high levels of activity, and the provision of services to the public is difficult as a result. The two separate but adjacent buildings will be constructed on the site of the former Port Dock Railway Station.

A two-level court complex will comprise six courtrooms with associated rooms and magistrates' chambers, common room and library, offices for staff, waiting rooms and holding cells. The police component will also be on two levels, consisting of subdivisional command administration, police station patrols, traffic police, prosecution services, CIB, staff amenities and the cell block. The cells will be linked to the courts complex by an underground tunnel.

The Hon. B.C. EASTICK: The Program Estimates (page 456) refers to a problem with prosecutions resulting from preparation procedures; according to the record, there was an undertaking to examine the court briefs and the reasons why costs were given against the department and why certain prosecutions were not successful. How successful has that program been? What came out of the investigation? During 1988-89 in how many cases were costs awarded against the department? What did those costs amount to? What were the reasons for those costs being awarded?

Mr Hurley: In 1989, 150 cases were lost and costs awarded amounted to \$94 792. Of defended cases in the adult jurisdiction, 89 per cent were successfully prosecuted. Evidentiary weaknesses are sometimes identified during the conduct of a prosecution, and such cases are directed to a senior officer for a decision whether or not to continue to prosecute. A weakness identified during the adjudication process in dismissed cases and in unfavourable rulings on appeal are closely examined to assess training or individual counselling needs.

In keeping with current philosophy, we earnestly endeavour to engage in pre-trial conferences with defence solicitors for the purposes of isolating issues and, hopefully, avoiding protracted hearings. Due to a recent Supreme Court decision, the Police Department is now entitled to seek costs on successful prosecutions. As a consequence of applications made by prosecutors, the summary courts have awarded \$18 185 to be paid to the police, complainant and/or informant.

The Hon. B.C. EASTICK: Is it an instruction to police to issue a traffic infringement notice over the counter when a person reports an accident? Under what circumstances are such notices issued? How many TINs are issued in this way? What instructions, requirements or requests are given by management to traffic police in relation to this? Is it a fact that traffic police are to issue a certain number of TINs every month? If so, what is that level?

The Hon. J.H.C. Klunder: When a traffic infringement occurs, a notice must be given to the offender. The honourable member is probably dramatising the situation when he says that TINs are handed out over the counter, but the Deputy Commissioner can give further information.

Mr Hurley: The last question is absolutely wrong: there is no quota requirement in relation to the number of TINs

issued. There seemed to be an inequity between cases where persons were observed by police officers dangerously changing lanes and cases where someone did a similar thing and caused a non-injury accident. So, we conducted a trial over four months to see whether this was feasible, and this is currently being assessed. At this stage there are a number of perceived problems and we cannot project any figures.

The Hon. B.C. EASTICK: If an individual or a corporate body lodges a complaint that requires a police inquiry, are they advised of the result of that inquiry, or are the results of that inquiry passed on to a Government department, the individual or corporate body being denied access to that information?

The Hon. J.H.C. Klunder: Whether or not anyone who makes an inquiry of the police is informed of the results of that inquiry depends on a number of factors, otherwise it would be a magnificent way of circumventing the privacy of people and organisations. Mr Hurley will answer the second part of the question.

Mr Hurley: Will the honourable member repeat it please?

The Hon. B.C. EASTICK: I cite the example of a person or a corporate body making a request and the police undertaking an inquiry, then passing the report on to a Government department or a Minister of the Crown and denying a report to the original inquirer. To put it in perspective, the City of Elizabeth requested the police to undertake inquiries about the alleged misuse of funds; that inquiry was undertaken. It is now in the hands of a Minister of the Crown and both the police and the Minister are denying a report to the City of Elizabeth, a corporate body.

Mr Hurley: As a general rule, the Police Department would advise the complainant of the extent of our inquiries. I am not privy to the details of the Elizabeth situation. However, on specific or extraordinary circumstances it may not be prudent to advise the inquirer in all cases. I would have to pursue the details of the Elizabeth situation to which the honourable member refers.

Mr RANN: Recent press publicity has indicated that the drug ecstasy is becoming quite a problem overseas, particularly in the United States. Recently reference has been made to angel dust, and I am not sure whether or not this is the same drug. Are ecstasy and angel dust being introduced to the drug scene in South Australia? If so, what are the Government and Police Department doing about it?

The Hon. J.H.C. Klunder: The question of angel dust I can put to bed straight away: there has been no seizure of angel dust in South Australia. The South Australian Police Force has seized 64 tablets which were believed to be the drug known as ecstasy. The tablets were located on 2 September and a male and female were apprehended in relation to the drug. This seizure was the first known presence of the ecstasy drug in South Australia. Ecstasy is an amphetamine based tablet produced in illicit laboratories, is swallowed in tablet form and generally described as a hallucinogen. Apparently, it produces a feeling of euphoria to hallucinations. Little is known about the long-term effects of the drug and no substantial research is yet available on the tolerance and dependence levels, either physical or psychological.

Mr RANN: Two years ago exactly, the Leader of the Opposition claimed that there had been a seizure of the drug crack in the southern suburbs. Despite the enormous publicity the Leader of the Opposition received in making the claim, it later turned out to be false. Has there been any evidence that crack is on the scene in South Australia? Will the Minister advise on the incidence of cocaine seizures in South Australia?

The Hon. J.H.C. Klunder: The police have not seized any of the illicit drug commonly known as crack, which is a derivative of cocaine. Nobody has been charged with any offence involving the sale, possession or use of the drug crack. The Australian Federal Police in South Australia advise that they have not seized crack or charged any person with offences relating to crack. Inquiries with the Department of Chemistry, the Forensic Science Centre, indicate that it has not discovered any crack, nor is it holding any substance for examination suspected of being that drug.

The illicit distribution and usage of cocaine in South Australia has been increasing for some time, although the detection and apprehension figures show that there were six in 1982-83; six in 1983-84; nine in 1984-85; eight in 1985-86; one in 1986-87; two in 1987-88; and nil in 1988-89. If one looks at the charges laid, one will notice a substantial decrease in the supply of cocaine in South Australia. However, the informal field intelligence indicates that cocaine is present in the community, and new strategies are being developed by police to increase surveillance of the use of the drug.

Mr GROOM: I refer to random breath testing and to page 460 of the Program Estimates. I note that the Police Department intends to review its deployment policies for random breath testing. What is the current deployment policy and how is it proposed to be varied? As a corollary, will the Minister provide statistics on the number of people tested in this regard?

The Hon. J.H.C. Klunder: The practice changed on 18 September 1989. It is performed only by police working in pairs operating from a standard police vehicle or in a large group operating from an RBT bus in a block testing fashion. All of us would have noticed this practice or been pulled over in a group for block testing. General duties officers can and do perform RBT. However, the traffic response personnel perform the bulk of the testing. They are required to do one hour's RBT per afternoon-night shift where possible. Each of the three metropolitan regions supply three members from the afternoon shift to man the bus. The supervisory sergeant is provided for one week at a time by each region in turn. The group operates in a block testing fashion both stopping and testing a group of drivers. The supervisor may deploy personnel to work in side streets to test drivers who attempt to avoid the main site. The supervisor may also shift the site if the traffic volumes are considered too low.

From 18 September 1989 a new system for staffing the bus is being trialled. This involves each of the three metropolitan regions having the bus in rotation. The efficiency of this method will be evaluated after the first full cycle. In 1986-87, 145 408 people were tested; in 1987-88, 282 075 were tested (close to double the original number); and in 1988-89, 287 166 were tested. The proportion of people tested exceeding the limit in 1986-87 was .701 per cent; in 1987-88 it was .623 per cent and in 1988-89 it was .515 per cent.

The Hon. B.C. EASTICK: Under the program sector of emergency services, members on both this side and opposite are fully committed to ensuring safety in the workplace to employees. However, over an extended period of more than three and a half years serious questions have been asked about the helicopter used for emergency services, and a number of recorded deficiencies in operational activity could have proved disastrous for the operators. On 19 September the Minister made another statement relative to an evaluation of what form of helicopter is required. It is well known that it needs two engines. How much longer delay will there be in providing an answer to the question of safety of

members of the Police Force, in providing protection for the public, using a deficient machine?

The Hon. J.H.C. Klunder: The emphasis that the honourable member puts on this question is a little unfortunate, even unfair. The helicopter is safe if used within the confines for which it was constructed and is operated. If any machine is used under conditions other than those for which it should be used, it becomes unsafe. Helicopters are at the mercy of the elements in that a helicopter, or even a fixed wing aircraft flying through an air sink will be forced into a descent no matter what the pilot wants to do. Single or twin-engine helicopters can be pulled down in their own downwash, but helicopter pilots are aware of procedures to avoid such a situation.

In relation to helicopter replacement, it is very difficult to decide what the capacity of a particular helicopter should be when it is to be used for a number of different purposes. Any helicopter we purchase will involve compromises; we cannot have weight and range at the same time, so attributes have to be offset against each other. I have asked my officers to provide information that basically offsets some of these independent variables against each other. The helicopter replacement issue is being considered, and I hope to be able to take a submission to Cabinet in the near future.

The Hon. B.C. EASTICK: The former Minister provided the same assurance more than two years ago. If an unfortunate set of circumstances arise which place any members of the Police Force or other emergency service in jeopardy, the Government will have that unfortunate situation on its shoulders.

The Hon. J.H.C. Klunder: That will not arise if the helicopter is used within the normal parameters applying to that aircraft.

The Hon. B.C. EASTICK: Is it or is it not an emergency service? How do they know what it is until they arrive at the scene?

The Hon. J.H.C. Klunder: If I can perhaps exaggerate the honourable member's question a little, he is asking me whether, if it is necessary, it will fly over a mountain range and the answer is 'No'. The aircraft is not designed to fly in that situation and it must operate under the constraints as laid down. A helicopter or any other aircraft cannot be expected to fly further than its nominated range; it must operate within its particular constraints and, while it does so, it is safe. I would not allow a police officer or anybody else to fly such a helicopter if it were not a safe machine, but it cannot do more than it was designed to do.

The Hon. B.C. EASTICK: Will the Minister request the whole file on this matter and look at the report provided by medical and police teams over an extended period? These reports relate to incidents 10 to 15 kilometres from the Adelaide airport and not situations where they were required to fly over mountain ranges. The Minister would appreciate that the helicopter is not a good operational machine when, in a sea rescue situation, it cannot winch a victim from the sea into the aircraft but, rather, has to lower the victim onto a beach or some other landing spot while the helicopter still hovers.

The Hon. J.H.C. Klunder: I do not argue that this machine is the best one for all uses, because no machine is capable of all tasks. I would like to upgrade the quality of this machine and I have asked my officers to provide the information that I can take to Cabinet for that purpose. However, I disliked the implication that the machine was not safe even if it were used within its normal operational specifications. It may not meet the operational requirements suggested by the honourable member, but it is safe. It does not meet the operational requirements that I would like it to

meet and obviously a bigger and better machine would be preferable, but the present machine is safe. However, steps are being taken to ascertain the possibility of acquiring a new machine.

Mr De LAINE: As to page 453 of the Program Estimates, I refer to the crime detection and investigation services. Bearing in mind the disturbing child sexual abuse cases that have come to light recently almost on a daily basis in the media, I refer to the statement that the Police Department will continue to implement the task force recommendations in relation to child sexual abuse. Can the Minister be a little more specific about what the Government and the Police Department are doing about this problem?

The Hon. J.H.C. Klunder: The South Australian Government task force report on child sexual abuse was released in October 1986. One of the major recommendations of the task force was the formation of the South Australian Child Protection Council. The Commissioner of Police is a member of that council and it met for the first time on 8 July 1987.

Other recommendations to be given priority include recommendation 7, which proposed a review of departmental polices and procedures under the auspices of the State council as a matter of urgency. Recommendations 20 to 27 all related to the proposed formation of child abuse inquiry teams. These proposals look at a joint police, Department for Community Welfare approach to interviewing child victims to reduce the number of times a child is interviewed. Recommendation 61 is that the State council ensure all relevant departments and agencies establish training and skills development in the area of prevention and alleviation of child sexual abuse as a priority and that their workers have access to financial assistance to enable them to undertake this work.

The current status is that each of these recommendations has been addressed by the department's Victims of Crime Branch. Current policies and procedures have been reviewed and documented and an alternative system has been costed. Proposals reviewed by the branch include the provision of a central unit focus for child sexual abuse victims which would facilitate the joint interview approach as recommended in the task force report and specialist staff to work, not only at the point of notification and statement taking but also through to the investigation of the alleged offender.

Coupled with the work on reviewing procedures and evaluating alternative systems, work has been focused on training. Vocational and training seminars are currently being run, the sex crime investigators course is to be increased to two weeks and has been changed to include child protection issues and interview techniques as has the recruit training input, and a training manual is near completion. Training needs across the organisation are being evaluated. Training input to other Government agencies working in the field of child protection is ongoing.

Mr De LAINE: During recent days the press has given attention to the dangers caused to the public by people who, while affected by alcohol, drive boats on the Murray River. I understand that earlier this year a scheme was established to enable members of the public to report illegal activities along the river. Can the Minister provide some information about this scheme, which I believe has been referred to as River Watch, and has it had any impact since its implementation?

The Hon. J.H.C. Klunder: River Watch is a relevant community organisation similar in operation to Neighbourhood Watch. Coordination is provided by a committee elected by the general public. Its purpose is to provide a central contact point for members of the public to report

illegal or anti-social activities on the South Australian section of the Murray River and to ensure that all reports are investigated by the relevant Government department.

The River Watch telephone is located at the Berri police station where reports are received and then forwarded to the relevant Government department. The police station nearest the reported incident responds to reports requiring attention. The scheme commenced on 12 April this year and, up to 14 August, 12 incidents requiring action from a Government department had been reported. The committee is pleased with the impact of the scheme and anticipates that, as the weather becomes warmer, the number of reports will increase.

Mr GROOM: I know that the Acting Chairman has strongly supported Neighbourhood Watch over many years. I notice (page 455 of the Program Estimates) that it is proposed to continue to expand the Neighbourhood Watch Program. I know from the number of projects in my electorate that it is a very successful scheme. Can the Minister provide any further relevant information on the scheme, and will he also indicate the extent to which it is proposed to expand the scheme this financial year?

The Hon. J.H.C. Klunder: I might point out that we are in the presence of the person who originated the scheme, and I refer to the Acting Chairman, who I understand was responsible for the very first program to be undertaken. It is something—without necessarily influencing your judgments and decisions later on—for which I think the honourable member can take very just and well deserved credit.

The Neighbourhood Watch program is a community based crime prevention program which has both community educational and police operational benefits. The success of the program has been indicated by a reduction in the incidence of crime in the areas involved. As I have already indicated, the first program was undertaken at Flinders Park. Following the Flinders Park pilot program the Neighbourhood Watch Program was introduced in South Australia on 5 May 1986. In the initial 12 months of the program, to the end of May 1987, the Police Department established 30 Neighbourhood Watch areas throughout the metropolitan area. As at 31 August this year a total of 174 watch areas had been established, with the waiting list involving 201 areas, each with an average of 700 homes.

The 1989-90 target is an additional 90 Neighbourhood Watch areas and 10 rural watch areas. Public confidence has been reflected by the 4 500 volunteer workers who are now participating in the scheme. It is also relevant to note that major insurance companies are offering premium discounts on household policies in Neighbourhood Watch areas. Presently, the sponsorship arrangement is that the Commercial Union will provide \$240 000 over the next three years. Commercial Union also provided \$150 000 sponsorship over the first three years of the scheme, and the Government's prevention of crime package, released on 22 August, provides additional funding of \$132 000.

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

Additional Departmental Advisers:

Mr B. K. Treagus, Director, Finance and Administration, South Australian Metropolitan Fire Service.

Mr D.A. Grubb, Acting Chief Officer.

Mr B.J. McNeil, Systems Officer.

Mr R. Tidswell, Acting Accountant.

The Hon. B.C. EASTICK: I note that the budget for this year shows an increase of \$2.275 million, and other docu-

mentation indicates that a considerable amount of that money will go into fire appliances. Is the Minister able to advise whether all fire appliances in South Australia have come on stream as anticipated, whether there have been any delays, and also whether this increased spending in 1989-90 is a reflection of there having been some delay and, if so, why?

The Hon. J.H.C. Klunder: I invite the Acting Chief Fire Officer to answer that question.

Mr Grubb: There have been delays in getting the construction of fire appliances according to the schedule that we would want. For the 1989-90 program we have scheduled one support tender, two sky jets and three GP pumpers, which also made up the balance from 1986-87. There is also a foamer tender of \$103 000. There are five further GP pumpers—one for 1987-88, two for 1988-89, and two for 1989-90. A hose layer has been scheduled and we are considering a replacement fire boat, and seven 4-wheel drive type medium general purpose pumpers. Unfortunately, the construction of many fire appliances, because of the specialised nature, gets delayed for longer than we would prefer.

The Hon. B.C. EASTICK: Has there been any specific deficiency in the requirements of the department?

Mr Grubb: No, we have been able to keep up the standard of appliances. At times, with normal maintenance programs and breakdowns, the relief appliances are a little more sparse than we would like, but, providing we are able to get these appliances through this financial year, we hope it will bring us online to a standard we have been working to for some time.

The Hon. B.C. EASTICK: During the year the Chief Fire Officer retired, and it is pleasing to note that the medical circumstances, which in some measure brought about that, have been alleviated and he has returned to good health. I believe that Mr Bruce either has or is to be appointed as a special adviser to the Minister on fire matters. Has that action taken place or is it contemplated, and what are the details of that appointment?

The Hon. J.H.C. Klunder: Mr Bruce has just returned from a holiday, and I expect to talk to him next week about the various conditions that would apply to his appointment as a consultant. I would hate for South Australia to lose someone of his stature and knowledge of the fire fighting industry, so I am delighted that he has indicated a willingness to do some consultancy work for us. The conditions have not been specified but they will be confirmed in my discussions with him.

The Hon. B.C. EASTICK: Both the present Minister and his predecessor gave the House a clear indication that, notwithstanding Mr Bruce's keen belief that there should be one fire service in South Australia, there would not be just one. With Mr Bruce's occupying this consultancy role, is there likely to be a conflict of purpose or interest—and I am not denying the value of Mr Bruce to the South Australian scene. I am just looking at the expectations of both the Country Fire Service and the Metropolitan Fire Service as to what might be the ultimate control of those two services.

The Hon. J.H.C. Klunder: I can reiterate advice that I cannot see how, in the short to medium term, we could consider amalgamating the two services. In terms of Mr Bruce's appointment, in the little time I knew him as the Chief Officer of the Fire Service, I believe that he is a thoroughly professional gentleman. I doubt that he would have any difficulty in giving me advice on the areas that I ask, even though he has a personal belief that the two fire services ought to be joined.

The Hon. B.C. EASTICK: Can the Minister indicate whether requests for an extension of the Metropolitan Fire Service in some country areas has been acceded to by him, and what particular circumstances has the Minister found warranting such a move? The Minister was asked to give specific consideration to the Loxton Fire Service, and it may be that the Minister had discussions with the Loxton council on 16 September when he was expected to be in the area.

The Hon. J.H.C. Klunder: I did not have discussions with the Loxton council because, as it turned out, I was unable to be in the area. I inherited a system whereby a committee was set up to look at the boundary problems that occur from time to time between the two fire services. In the past, that has been subject to an agreement by both services, and there has always been difficulty in getting that agreement. Consequently, one of the jobs I hope Mr Bruce will undertake for me will be to see whether or not there is a possibility of resolving some of the difficulties and the different ways of seeing things that the two services have on those matters.

The Hon. B.C. EASTICK: During last year's Estimates Committee, I asked the Minister for information concerning the specific individual costs of running each of the two fire services. It was indicated at the time that, whilst the information was not immediately available, it would be subsequently provided: regrettably, it never has been. Some detail has appeared in the press and elsewhere relative to the costs of labour, but not an overall summation, as the Minister believed he could provide.

The Hon. J.H.C. Klunder: I can give the honourable member an indication of the accounting costs at various centres. The difficulty with accounting costs is that it tends to understate actual costs because a number of head office costs would normally be attributed to some of those country centres in full accrual accounting. So, there is some difficulty in making that information available unless it is clearly understood that this is the accounting costs of the costs incurred at that centre and there has not been a cross-charging of training or head office administrative costs, etc. which, under a full cross-charging system, would also be credited to that accounting centre. I am never sure of economic terms because I am not an accountant or an economist, but there is a difference between accounting costs and economic costs. I have these figures, and I will provide them to the honourable member soon after this meeting.

The Hon. B.C. EASTICK: Has the Minister been having discussions with his colleague, the Minister of Local Government, relative to the expressions of concern made to that Minister by some councils that they are being called on to service two fire services? I fully appreciate the historical and traditional role of the two services in some of these areas. The cost of the Eudunda service has had a degree of public exposure recently. It has a different sort of costing and need in present circumstances to that which applies to the Port Pirie service, for example.

The Hon. J.H.C. Klunder: I have not talked to my colleague about that. In part that is due to the fact that I have not been in the job for any length of time and neither has she.

The Hon. B.C. EASTICK: I notice from the documentation provided by the department that several additional fire stations are due for opening or for completion in September 1989—for example, the Northfield fire station. It has been my pleasure to join the present Minister and the former Minister at the opening of other stations at Largs Bay and Port Adelaide, together with the members for Port Adelaide and Semaphore.

The ACTING CHAIRMAN: And the member for Albert Park.

The Hon. B.C. EASTICK: The member for Albert Park was also present at one. As a result of implementing these changes, which were designed to provide a shorter call time and greater efficiency—certainly with the quality of the workmanship that has gone into the buildings and the equipment that is available I would expect that to be the fact—has there been any fine tuning of the future programming of replacement stations as a result of the functioning of those most recently opened?

The Hon. J.H.C. Klunder: I agree with the honourable member about the quality of the buildings being provided for the Metropolitan Fire Service. It has been a delight to see the intelligent thought that has gone into the construction and the quality of construction. Initiatives for this financial year include obtaining suitable sites and commencing construction of stations in Nailsworth, Prospect and Brooklyn Park and also obtaining a site at Seaton Park.

The Hon. B.C. EASTICK: As a result of the functioning of those stations which have been opened, has there been any fine tuning to the advantage of the service and the State?

Mr Grubb: The relocation of fire stations throughout the metropolitan area is part of a total package developed as a result of investigations by Mr Ron Cox. There was some difficulty initially in obtaining suitable sites, especially in Nailsworth and Prospect. By the time the total plan comes together, it will be based on providing a response for the first appliance to be on the scene within six minutes anywhere in the metropolitan area.

The Hon. B.C. EASTICK: I notice that part of the service that is provided by the State is Commonwealth protection, for which there is an income. The miscellaneous payments for Commonwealth protection has gone up from \$220 458 to \$234 000, an increase of 6.14 per cent, which would be below expected inflation. Is the State subsidising the Commonwealth for the service that the State provides to the Commonwealth?

Mr Treagus: From 1976-77 the Commonwealth, through the State Treasury, was giving a grant based on the use of radio licences and associated equipment. When the licences were withdrawn, the Government decided to give some money. However, in 1980 the formula was changed and based on .8 of 1 per cent of the fire service cost in South Australia. At the same time, the Federal Government decided to use an indexation formula referred to as the final consumption expenditure deflator. That has continued since 1981.

In recent years the State Treasury, in conjunction with SAMFS management, has been attempting to liaise with the Commonwealth on a more equitable method and formula for determining the grant. One must recognise that the inflation factor is based on 1981-82 levels. It means that any initiatives by both fire services since 1981-82 are not recognised. It is only on expenditure in 1981 plus an inflation factor on that base. Both fire services have significantly enhanced their fire protection facilities during the last seven or eight years, but that is not reflected in the Commonwealth grant. The Treasury is attempting to liaise with the appropriate Commonwealth department and we hope to link into the Federal/Victoria approach which was recently approved in order to get a substantial increase in the Commonwealth grant to South Australia.

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

Works and Services—Country Fire Services Board,
\$3 330 000

Acting Chairman:
Mr K.C. Hamilton

Members:
Mr D.S. Baker
Mr M.R. De Laine
Mr T.R. Groom
Mr E.J. Meier
Mr J.K.G. Oswald
Mr M.D. Rann

Witness:

The Hon. J.H.C. Klunder, Minister of Emergency Services.

Departmental Advisers:

Mr A.D. Macarthur, Chief Executive Officer, Country Fire Services.

Mr J.L. Fitzgerald, Assistant Chief Officer.

Mr B.M. Barker, Administration Manager.

The ACTING CHAIRMAN: I declare the proposed payment open for examination.

Mr D.S. BAKER: One of the great concerns of the CFS is vehicle inspections, and nothing has caused such a problem in the country as this question. Can the Minister say what the difficulties are that are occurring, and are they of a regular nature? Has any discussion taken place as to whether the requirements are too severe? Is the cost of these inspections now being borne by the brigades or by the council? Is there a plan in place or being devised to try to rectify the problem that is causing the concern?

The Hon. J.H.C. Klunder: To a certain extent I have to draw on my experience as chairman of the Public Accounts Committee during the time we inquired into the CFS. At that time it was obvious that many vehicles would not be able to make it to a fire or, if they got to a fire, might break down at crucial moments through vapour locks or other problems, and put people at risk. There has been a program of upgrading of vehicles, the inspection of vehicles indicating that such upgrading was necessary.

Mr Macarthur: The initial cost of inspections was borne by the CFS board. Where re-inspection is necessary, the cost is charged to the council concerned. The board's second round of inspections of appliances has failed to reveal a better standard than was found initially, and the board will be pursuing the matter of vehicle and other equipment inspections to a satisfactory level to provide the efficiency needed of an emergency service, and to ensure the safety of other road users, especially the volunteers who are asked to use this equipment. Such level of safety is to be determined by the board, in accordance with standards set by other fire services within Australia.

Mr D.S. BAKER: I know the concern that was caused in the country by some Department of Transport road safety people, whose performance put quite a few people offside. Can the Minister provide details of the number of inspections done by Department of Transport road safety officers; the number done by CFS mechanical officers; and the number of vehicles defected by both parties? I have always believed that the CFS mechanical officers have a broader knowledge of what these fire units are to be used for and perhaps a broader knowledge of what was mechanically sound and what was not.

The Hon. J.H.C. Klunder: I am concerned that in modern country fire services we should not send people into a

potentially hazardous situation while there is any question about the safety of the vehicle that takes them in there and moves them around while they are there. The standards are set by the Department of Transport. I do not have the expertise to argue that certain of those standards may or may not be appropriate, but the honourable member could take that up with the Minister of Transport. Few vehicles were defected in the second round of inspections, so the first round obviously indicated a degree of difficulty of compliance with the requirements during that first round.

Mr D.S. BAKER: Is it possible to obtain a report on those vehicles inspected by the Department of Transport and what percentage were defected as against the inspections by CFS mechanical officers and what numbers were defected by them?

The Hon. J.H.C. Klunder: I do not have that information here, but am pleased to take it on notice.

Mr D.S. BAKER: If a vehicle is defected, what process must be undergone to have that vehicle re-inspected quickly? Is there a charge for that, and is there an allowance anywhere for an emergency? We are coming now to the fire season: most rural fire units, if inspected by those officers, would be defected. That is one of the practical ramifications of country life. Are any allowances made for emergencies, and does Mr Macarthur have the power to act to get some vehicles to the scene of a fire, because it could be too late if we are waiting for vehicles to be reinspected?

Mr Macarthur: In every CFS region of the State the board has a replacement appliance when vehicles are taken out of service for any time. The board has, in all cases where vehicles have been defected, taken appropriate action by reallocating resources from adjacent areas to cover any deficiencies. I can assure the honourable member that we take action where necessary to cover any perceived problems.

Mr D.S. BAKER: As a supplementary question, is there some way that vehicles with minor faults, during the fire season, can be re-inspected within, say, 24 hours?

Mr Macarthur: The CFS has a mechanic who is seconded from the Police Department, and he is available to re-inspect vehicles within a reasonable time. In a State the geographical size of South Australia, we do not undertake to re-inspect within 24 hours.

Mr RANN: In what areas during 1989-90 is the CFS increasing expenditure and where will any savings be achieved?

The Hon. J.H.C. Klunder: Significant additional costs have been put into this particular budget: interest on loan funds to build fire appliances, \$831 000 Sacon (contra) rental headquarters, \$259 000; subsidies to councils and brigades, \$168 000; ADP systems, \$100 000; and salaries, \$88 000. There are offsetting savings: contingencies not used last year amount to \$451 000 and savings on minor asset replacements amount to \$85 000.

Mr RANN: What funds is the CFS devoting to bushfire prevention?

The Hon. J.H.C. Klunder: I cite figures for prevention, as distinct from cleaning things up once it is too late. The staff costs are in the order of \$200 000; the running costs of the program are \$75 000; and, a very important part of any such program has to be publicity to enable people to be aware of the fact that one can avoid bushfires, and that budget is \$125 000. That makes a total of \$400 000 this year.

Mr RANN: Is the CFS planning aerial support for fire prevention and in firefighting?

The Hon. J.H.C. Klunder: The CFS has an ongoing contract in relation to aerial prevention which has proved

satisfactory in the past, and there is no intention to change it this financial year.

Mr MEIER: I seek the Minister's views on the new fire units, some of which I believe have now been commissioned. They are standard vehicles, I believe. I have had the opportunity to closely inspect one of them and was somewhat disturbed at the number of faults or design irregularities. The supposed bull-bar (or as one person described it, the mouse bar) does not seem to have any great strength and, where it was bolted on to this brand new vehicle, rust was already coming from the bolts.

The bull-bar is a complete unit that allows water to go around it, and spray nozzles are attached to the bottom of it. It was pointed out to me that one only need hit a significantly sized bush, let alone a small log, and the nozzle would become ineffective. An alternative site was pointed out where the nozzle could be protected and continue to be used even if the vehicle was used in rough country.

There were extension pipes (or something similar) at the rear of the driver's cabin and, when the retaining lock was released, it immediately chipped paint on the cabin. This design fault could easily be rectified. In boarding the unit I was very lucky that I did not either bruise my fingers or, worse still, take a little bit off a finger, because the swinging door is very dangerous if one inadvertently places one's hand where the door is attached to the vehicle; and this also could occur on alighting.

It was pointed out to me that in some country areas where overhead facilities are used, if water is needed very quickly, given the size of the water tank opening, a lot of water would be lost because the attachment could not be fitted properly. It would be better to have a hole similar to the large hole in the old units. This hole could have a double purpose: first, the tank could be filled efficiently and, secondly, it could be cleaned, if necessary.

The overflow system of the water tank, similar to that on an ordinary rainwater tank, meant that water could not be filled to the top of the tank, because it would flow out through the overflow if the vehicle was driven at a reasonable speed. If the overflow was located at the top of the unit rather than on the side, it would make a significant difference. I noticed that mud was thrown onto this vehicle's jerrycans, which are stored along the sides and tucked underneath the unit. If this vehicle was travelling over rocks, those rocks could be thrown up and cause damage to those jerrycans.

The fire hoses on the fighting platform would not be long enough to be used on both sides of the vehicle; it would be difficult to use both hoses. An extra half a metre of hose would solve that problem. It was pointed out to me that the size of the diesel fuel tank which operated the pump was relatively small and that, if one ran out of diesel when fighting a fire, one would have to bleed the injectors to start the pump again. A slightly larger tank would have reduced that possibility.

Also, although it is not impossible, the motor was in an awkward position and access to start it was difficult. One would think that could have been designed differently. Various other matters were pointed out. As this is a standard unit, which I assume will inevitably be used by most country brigades, what procedures are in hand to rectify the design changes, and who is undertaking this?

The Hon. J.H.C. Klunder: The honourable member is obviously using this forum to pass on information that has been provided to him at various places and times. If 1 000 people designed fire engines, they would all be different. This is not the correct forum in which to discuss the technical details of design. It may be appropriate for the hon-

ourable member to contact Mr Macarthur at a later time about the difficulties that certain people see with this unit. I will try to show my limited technical knowledge by indicating that I understand that the bars in front of the fire engines are not intended to be bull bars but rather spray bars that spray water over to the tyres and in front of the vehicle. I will ask Mr Macarthur to comment.

Mr Macarthur: It would be appropriate for the honourable member to take up the Minister's suggestion and have us look at the design criteria and technical points related to the matters raised. I will go through those issues at a convenient time with the honourable member.

Mr MEIER: I am happy to detail fully in writing the concerns, which are more extensive than I have highlighted. This matter is relevant to the Estimates Committee, as I see that thousands of dollars may have to be spent on the units and it will be an extra expenditure from the viewpoint of the CFS rather than the brigades. It is important to rectify the faults so that the CFS can save thousands of dollars down the track.

The Hon. J.H.C. Klunder: This assumes that the faults the honourable member has indicated are in fact serious and significant faults. Whenever a piece of equipment is designed, it is a great deal easier after the event to find fault. Whether those faults detract from the operating capacity of the machinery is a different matter. I am happy for the honourable member to discuss the issues with the CEO.

Mr MEIER: I refer to the annual report of the CFS Board wherein, under the heading 'Building Fire Safety' on page 9 it states:

Inspections of premises with a high life risk, such as hospitals and nursing homes, are being conducted as a priority. The CFS is concerned that it is unable, because of legislation deficiencies, to effectively progress in this area and rectify many of the known shortcomings in public safety in buildings.

To what extent has priority continued since December 1988? How far advanced is the CFS in relation to inspections? More importantly, have legislative deficiencies been tidied up in the meantime? Is that helping the CFS undertake what it sees as rectifying shortcomings in public safety in buildings?

The Hon. J.H.C. Klunder: That deficiency has been fixed and the CFS now has an officer on the appropriate committee for the area under concern.

Mr MEIER: To what extent have inspections been carried out?

The Hon. J.H.C. Klunder: This problem was rectified about three or four weeks ago. I do not believe that the committee has met since.

Mr Macarthur: The CFS has not until recently been recognised as part of the Building Fire Safety Committee structure in South Australia. Subsequent to the introduction of the regulations under the Country Fires Act 1989, negotiations were carried out with the Minister of Emergency Services and the Minister of Local Government to ensure that the deficiencies and the problems the CFS has faced could be and have been overcome. The CFS has always maintained a building fire safety officer to inspect public buildings in its area of responsibility, but it has never had a Minister's letter to say that he could act lawfully. The matters have been corrected and from now on the CFS will play an important role in the inspection of public buildings within South Australia and will have the power to act where those buildings are deficient.

Mr MEIER: I refer to volunteer workers compensation and insurance. In past years there has been some concern where from time to time amendments have come before Parliament in an endeavour to fully protect volunteer firefighters. Does the Minister believe that the current compen-

sation provisions and insurance policies fully cover a volunteer fire fighter under any circumstances, whether employed by an employer, self employed or unemployed? It is important that a person be covered no matter what their background or the situation they encounter when fighting fires.

The Hon. J.H.C. Klunder: The question has exercised the minds of a number of people for some time. Volunteer firefighters are covered by the Workers Compensation Rehabilitation Act. The board self insures and there is a question whether or not a small area needs to be covered by one form of self insurance, outside insurance or whatever. I have had meetings with various people on this point. We are relatively close to a resolution of the matter, but at this stage I would prefer not to indicate the various options available to the Government. However, I assure the honourable member that it is being taken seriously and is under active consideration. It is not languishing somewhere but is being considered.

Mr MEIER: Will the Minister indicate whether he hopes to bring amending legislation to correct the problem before Parliament this session, namely, before December?

The Hon. J.H.C. Klunder: It may not be necessary to amend anything. A number of options are being considered. I am keen to resolve the situation before the commencement of the bush fire season, because even a small area of concern may become an important area for one or two people. I would not like to leave it on the table for any length of time. I cannot give an indication of how it will be fixed, but there are one or two possibilities at this stage.

Mr De LAINE: How many volunteers have participated in the CFS training courses in recent years?

The Hon. J.H.C. Klunder: We have seen an interesting increase. In 1986-87, 1 821 volunteers trained; in 1987-88, 2 011 trained; and last financial year, 1988-89, the number rose yet again to 2 921, which is a fair indication of two separate things. The first is that the volunteers are very serious about upgrading their skill levels and the second is that the CFS must be providing the right kind of training, because no matter how keen one is to upgrade skill levels, unless training courses are appropriate, people will not undertake them. An extra \$56 000 has been added to the training budget in 1989-90, with the emphasis on training volunteers to become trainers and to run courses in the field.

Mr De LAINE: How many permanent staff are employed by the CFS and how many registered volunteers are used?

The Hon. J.H.C. Klunder: The CFS has a staff establishment of 74.6 full-time equivalents, which compares with 72.6 in the previous year. As at 30 June 1989, 19 922 volunteers were registered.

Mr De LAINE: Is the Government committed to the continued use of volunteers in the CFS?

The Hon. J.H.C. Klunder: The answer to that question is a wholehearted 'Yes'. Over the years the input from volunteers has been of incredible value to this State and I have no intention at all, and nor does the Government, of moving away from a largely volunteer-operated system.

Mr D.S. BAKER: One of the great concerns of Adelaide Hill's residents, especially those in the hills face zone, relates to the national parks and reserves in that area. What progress has been made in cleaning up the national parks in the hills face zone? As the Minister would realise, if a fire starts in these national parks, which have not been properly controlled in relation to fire prevention, when the fire reaches the residential areas a virtual holocaust occurs. What discussions with national parks officers have taken place to alleviate this problem?

The Hon. J.H.C. Klunder: Strictly speaking, that is not a question that should be addressed to me, because I am not the Minister responsible for national parks. However, I understand from the CFS that the National Parks and Wildlife Service staff are fully involved in the fire prevention planning process.

Mr D.S. BAKER: As a supplementary question, it would concern me if the CFS, under the leadership of Mr Macarthur, was not playing quite an active role in this process, because, with all due respect to the national parks staff, their major concern (and quite correctly) is to preserve our national parks and to ensure that they are places of pleasure and recreation. However, I believe that it is imperative for Mr Macarthur to take an active role in fire prevention in those areas. Does Mr Macarthur take an active role in practice?

The Hon. J.H.C. Klunder: I can only reiterate that the CFS does fully involve the National Parks and Wildlife Service staff, but I will ask Mr Macarthur whether he wants to add to that answer in terms of the practical work undertaken.

Mr Macarthur: The recent legislation relating to the CFS has enabled the CFS to have representation on and to be involved in the activities of district bushfire prevention committees and to coordinate the regional bushfire committees. The legislation provides that, where Government agencies have land-holdings in the area, they may be represented on the appropriate committee. I can assure the honourable member that considerable progress has already been achieved in this area through these district bushfire prevention committees. The National Parks and Wildlife Service is playing a very important role in the planning phase. I believe that, with the close liaison I have with the Director of National Parks (Mr Leaver), we will alleviate some of the past problems and that the State's areas will become safer as a result of work undertaken by these committees.

Mr D.S. BAKER: I believe that a study has been undertaken by officers of the board in relation to developing fire management plans. In what areas have those studies been undertaken, who has been involved in that work, and has that improved the rationalisation procedures of fire appliances in those areas?

Mr Macarthur: The board commenced the serious business of bushfire prevention about three years ago and highlighted specific areas of the State that it thought were high risk areas. An indepth survey was commenced involving fire prevention officers and the Stirling council in the Hills area ranging from Upper Sturt to Gorge Road. The program also included Kangaroo Island, Coffin Bay, Mount Remarkable and other areas. That survey will proceed, but not at the cost of the board in the future. Because of changes in the legislation, the cost will be transferred to the councils.

The issue of whether or not the rationalisation of fire equipment is compatible with those plans is not really relevant. The standards of fire cover identify the deficiencies and surpluses of equipment across the State and that is really a separate issue. If the community is prepared to adopt sensible bushfire prevention planning, then perhaps in the distant future a decreased capital expenditure on fire prevention equipment may be appropriate. At this stage, the board has two separate projects, but they may be slightly related. We would not be prepared to decrease the level of expenditure on equipment across the State until the community adopted all recommended fire prevention mechanisms.

Mr D.S. BAKER: I believe that the area of fire prevention work has previously been neglected. What arrangements

exist or what resources are available between the board and local government to implement this fire prevention work in the ensuing year?

The Hon. J.H.C. Klunder: I did provide that answer to another honourable member but, briefly, the bushfire prevention funding about which the honourable member asks is \$200 000 for staffing, \$75 000 for running costs, and \$125 000 for publicity, which totals \$400 000.

Mr D.S. BAKER: As a supplementary question, is there no contribution from local government?

The Hon. J.H.C. Klunder: As I understand it, local government has its own responsibility here. This \$400 000 is contributed by the CFS.

Mr D.S. BAKER: Since the recent legislation and regulations were passed, there has been considerable concern about the board's public relations. I am not criticising the board, but one of the problems raised was that people in country areas had not had the chance to meet face-to-face with members of the board. In areas where some members arranged for such a meeting, a lot of the concerns were dealt with. I still receive letters from people who are worried about that. I, too, am worried; are adequate funds available so that the board can visit country areas, country brigades and especially local government areas to explain exactly what the new Act and regulations mean? If those meetings did take place, I believe that much of the goodwill that has been broken down between the CFS board and the volunteers could again be fostered. Can the Minister assure us that adequate funds and officers will be available to do that PR job in the country areas?

The Hon. J.H.C. Klunder: The CEO travels extensively throughout the country, and I understand that the board meets twice a year in the country. It last met at Clare and will next meet at Bordertown. An attempt is made by the board to go to the various areas of the State, where members of the board can have interaction with local councils and local CFS brigades. That is done within the normal budget applicable to the CFS.

Mr D.S. BAKER: In no way was I criticising the board on that matter at all.

The Hon. J.H.C. Klunder: It is appreciated that the honourable member did not intend any criticism by that question.

Mr RANN: Will the Minister confirm whether the CFS is planning to relocate its headquarters at Keswick and, if so, whereabouts and at what cost?

The Hon. J.H.C. Klunder: That is something that has been considered. The CFS has some space problems at Keswick and Sacon has been commissioned to investigate alternatives for a changeover on a cost neutral basis. One of the options being investigated concerns additions to the MFS site in Wakefield Street.

Mr RANN: Has the CFS now completed its program of regionalisation?

The Hon. J.H.C. Klunder: I do not think that any additional offices are planned, but more suitable premises are being sought at Gawler and Port Augusta. I can indicate to the Committee that regional offices are now established at Stirling, Gawler, Murray Bridge, Naracoorte, Port Augusta and Port Lincoln. The staffing arrangements in the various regions are as follows: at Stirling there are two officers; in regions 2 and 3 (Gawler) there are three officers; region 4 (Port Augusta) two officers; region 5 (Naracoorte) two officers; region 6 (Port Lincoln) two officers; and regions 7 and 8 (Murray Bridge) two officers. Each office now has a full-time clerical assistant.

Mr RANN: Finally, can the Minister outline to the Committee what steps are being taken to provide adequate staffing in country areas?

The Hon. J.H.C. Klunder: Basically, I have just outlined the staffing that exists in country areas. It is considered to be adequate. The fact that full-time clerical assistants are now available for each of those areas has meant an enormous addition to the efficiency of each of those officers.

The ACTING CHAIRMAN: I declare the examination of the vote completed.

Mines and Energy, \$22 213 000

Acting Chairman:
Mr K.C. Hamilton

Members:
Mr M.R. De Laine
The Hon. E.R. Goldsworthy
Mr T.R. Groom
Mr E.J. Meier
Mr J.K.G. Oswald
Mr M.D. Rann

Witness:

The Hon. J.H.C. Klunder, Minister of Mines and Energy.

Departmental Advisers:

Mr J. Eastham, Acting General Manager, ETSA.
Mr J.P. Welford, Assistant General Manager, Corporate Planning.
Mr M. Coleman, Acting Director, Finance.
Mr T. Parker, Government Relations Coordinator.
Mr P.T. Greeneklee, Acting Director, Distribution and Customer Supply.

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

The Hon. E.R. GOLDSWORTHY: We are still puzzled at the financial arrangements that ETSA entered into with SAFA for the sale and lease-back of its major assets. On reading this year's budget papers and the SAFA report, I for one am none the wiser. I see that the Premier and Treasurer is the beneficial owner of four companies that are required to facilitate the defeasance of certain SAFA liabilities in June 1985. Those companies are Defic No. 1, Defic No. 2, Defic No. 3 and Defic No. 4. These companies are subject to provisions of the Companies Code. I assume that that is something to do with these strange financial arrangements for the sale and lease-back and these defeasance arrangements for the ETSA assets. At pages 34 and 35 of the SAFA report, there is a reference to some very large loans and capital provided to semi-government authorities. It states that last year SAFA loaned \$397.9 million, and this year \$291.6 million, to ETSA. It provided interest-bearing capital to ETSA of \$110 million in each of those two years.

Will the Minister explain what those very large capital loans represent and what the interest-bearing loan of \$110 million each year represents, when in fact the capital requirements of ETSA, according to the budget papers, are quite modest? The capital works program relates to work on its transmission lines. It is stated, 'ETSA plans to spend \$165 million on capital works this year'. It is only minor capital expenditure expected on power generation facilities,

with no major expenditure on new power stations, and the like. It includes construction upgrading and alterations to the transmission and distribution system. That will chew up \$135 million, which is the major part of the capital works program. Further, \$38.7 million has been allocated for the electrical interconnection with the Eastern States.

The ACTING CHAIRMAN: Order! We are not dealing with capital works at the moment.

The Hon. E.R. GOLDSWORTHY: What do those enormous loans that have appeared in the SAFA report represent? It would be too much to expect the Minister to explain to us the jumbled financial arrangements because they have been hiding behind the cloak of commercial confidentiality since they were first entered into. However, at least the Minister could explain the enormous loans in the past two years and say what the interest-bearing capital advance of \$110 million each year represents. Last year the best part of \$500 million was loaned to ETSA one way or another, and this year about \$400 million was lent.

The Hon. J.H.C. Klunder: I intend to give a brief general background to this matter and then ask one of the trust's officers to respond in more detail. ETSA has entered into a series of structured financing arrangements over the past decade under both Liberal and Labor Governments. These arrangements are legitimate financing transactions undertaken in order to produce financial savings. They have enabled tariffs to be about 1.5 per cent lower than would otherwise be the case. In present value terms, the benefits amount to about \$100 million. Provisions are written into the transaction arrangements to ensure that South Australians retain sovereignty over their power supplies. That should put to rest many of the rumours that we hear from time to time. It is important to note that some commercial confidentiality must be maintained in these arrangements. If South Australia wishes to enjoy the benefits of these transactions, we must accept this commercial confidentiality. Therefore, the identities will not be placed before the Committee. This should not be taken to imply that there is anything questionable about the transactions or that it is an unusual practice. Investors entering into these arrangements require some commercial confidentiality, which is normal business practice.

Mr Coleman: Before dealing with the specific transactions and making some general comments on the background and related issues. I will deal with the specific matter raised on the SAFA Defic companies. To my knowledge, they have no relationship with the ETSA-related defeasance.

This month is the tenth anniversary of the first ETSA so-called asset based financing arrangement being concluded. I propose to go through each of those arrangements, describe them, how they work, and so on. The first transaction was drawn down in September 1979 for a term of 10 years, which means that it is about to conclude. The assets involved were mobile mining equipment at Leigh Creek: 10 Terex haulers, one electric shovel and four front end loaders. The value of the assets, as recorded in the ETSA annual report at the time—each transaction has been referenced in the ETSA annual reports in the years in which they were concluded—was \$11 million, the investors were sourced from Australia and the benefits to ETSA in present value terms were about \$1 million. The benefits from these transactions are taken as interest rate savings over time or as an up front present value amount. I should like to describe for each transaction the benefit level as at present value equivalent; that is, an up front value equivalent of the interest savings.

The second transaction was in June 1981, also for mobile mining equipment at Leigh Creek: 14 Terex haulers and one electric shovel. That was for 10 years again and the

asset value was \$16 million. The investors were sourced from Australia and a benefit level of \$3 million was achieved.

Those transactions were sale and lease-back type transactions, as disclosed in the annual report, and more particularly they were leverage lease transactions. That means that the investors put up about a quarter to a fifth of the money and the rest was borrowed; that is, debt. The funding is always arranged through a special purpose financing vehicle. That is common practice in the finance industry for these sorts of transactions. There is equity or investors' funds and debt—that is, loan funds—hence the term 'leverage'. These are finance leases as distinct from operating leases. Finance leases are financing transactions rather than where economic ownership of the assets changes to a third party. In a so-called operating lease, the economic ownership transfers to the lessor. From an ETSA point of view, these transactions are only ever done to achieve financing benefits. In that sense, both 10 years ago and now, it is insisted that they be no more and no less than a financing arrangement. In a real sense, it is outside ETSA's statutory powers to do anything other than that.

The source of the present value benefit or interest rate saving is by virtue of the involvement of the investors in those transactions. They are involved by investing funds and achieving investment allowances on the basis of their position in the transaction. The investment allowances are by way of depreciation deductions, interest deductibility allowances, and so on. That is the source of the benefit. Different benefit levels are available for such transactions at different times and for different assets, given the actual transaction value. That results from a number of reasons. These transactions are done in the financial market place and market conditions tend to change over time. The nature of the investment allowances is different for different assets in different countries at different times and there are different basic guidelines under which they can operate.

The third transaction was completed in December 1982. That, again, was for Leigh Creek mobile mining equipment comprising eight Terex haulers and one front end loader. Again, it was a sale and lease-back transaction. That, too, was for a 10 year term. The transaction value was \$6 million, investors were again sourced in Australia and a present value equivalent of savings of \$500 000 was achieved.

The next transaction was negotiated towards the end of 1985 and was concluded in January 1986. This was not a sale and lease-back, but in many ways the end result is similar. This was in relation to the Northern power station as a whole and Leigh Creek coal supplies. This transaction was for a 25 year term, the value was \$205 million, the investors were sourced from within Australia, and ETSA's benefit in present value terms was \$23 million. This transaction was different from the earlier sale and lease-back transactions. Under the arrangement, and as disclosed in the ETSA annual report in 1986—the annual report relating to the year in which the transaction was concluded—ETSA was the lessor of the power station. I am talking about the power station site and all plant and equipment.

Further to ETSA being lessor—there is a series of transaction documents all focused through a single special purpose financing vehicle—it not only leased the power station and the site to this financing vehicle but also there was an arrangement under which ETSA provided station management to the financiers and, thirdly, an arrangement, having provided for the power station under the lease and station management, for ETSA to provide Leigh Creek coal to the power station.

The terms of the arrangement are undertaken in such a way that ETSA is in exactly the same position to determine

the operational requirements—output level, coal level, maintenance levels etc—as it would have been in the absence of this transaction. Under the fuel supply arrangement, ETSA receives an up front deposit against future supplies of fuel to the financing vehicle. That is the \$205 million amount referred to in our annual report and the Auditor-General's Report that I referred to as the transaction value. The other side of the equation is that ETSA is under an obligation, in the same way as it is under an obligation under a leverage lease, to pay lease rentals over time, to pay for the electricity output of the Northern Power Station.

The output of the power station is solely determined by ETSA, and the moneys paid by ETSA for that are fixed from day one of the transaction. At the end of the day, from a financing point of view, in the same way as the earlier leverage leases can be analysed from the point of view of cash received by ETSA (that is, the sale price for the assets in those cases on the one hand, and six monthly lease rentals and residual payments on the other) one can analyse the implicit cost of funds and compare that to ETSA's conventional cost of borrowings in the same way as with this Northern Power Station-Leigh Creek coal financing arrangement it is possible to look at ETSA's up-front receipt of money and ETSA's payments over time, and analyse that as if it were a borrowing.

The cost of funds under that arrangement was lower than ETSA's more conventional sources, hence the transaction was undertaken to achieve the financial savings of which the value eventually was \$23 million in present value terms. That \$23 million represents an up-front equivalent of the interest rates saving over time on that \$205 million. Each of those arrangements, be they leverage lease or fuel supply, involve ETSA one way or another extinguishing its financial liability over the term of the transaction, if not earlier. In other words, they are a substitute for normal or conventional indebtedness, just done at a lower cost. The saving from these evolves from the investment allowances achieved by the investors into these arrangements.

The next transaction that was concluded was in March 1986, the first of the so-called cross-border leverage leases. This was for the Northern Power Station units 1 and 2 turbo generators sale and lease back, a leverage lease this time with the investor source being from Japan; the term of arrangement was 20 years; and transaction value, \$130 million. In that case, based on the recent valuation of the assets and the ETSA present value benefit—indeed, a cash benefit—in the year in which this came into operation of \$9.5 million, again as reported in the annual report of ETSA at that time.

In principle, there is no difference between the leverage lease nature of this transaction and the earlier ETSA Australia-based transaction for the mining equipment, with one addition. In this case it was possible for ETSA to take the majority of the proceeds of the transaction and pass those across to a third international banking party to take over from ETSA, or assume on ETSA's behalf its future obligations to pay lease rentals and most of the residual. Concluding that assignment of future payment obligations in small part with SAFA on a commercial basis, ETSA was able to walk away from the transaction on day one with no future payment obligations, hence no indebtedness and no report of indebtedness in its accounts as audited with a \$9.5 million cash up-front profit.

Again, this is not an unusual arrangement for financing transactions of this type. The next two transactions were negotiated towards the end of 1986 and drawn down in February 1987 and May 1987, being Northern Power Station units 1 and 2 boilers, again Japanese based leverage

leases with 20 year terms and transaction values of \$124 million and \$180 million, with present value benefits of \$12.7 million and \$12.1 million. These were similar to the earlier turbo generator, Japanese-based leverage lease. In those particular transactions, the arrangements were concluded on the basis that, instead of a single up-front gain, the transactions effectively will take those gains over a five year period.

It is a minor variation on a theme, but in reality it is the same sort of transaction. In December 1986 we also concluded similar leverage lease, cross-border transactions of a 10 year term for the Torrens Island Power Station B section turbo-generators at a \$120 million transaction value. This was second-hand equipment, and was a gain of just less than \$1 million, as recorded as a once-off profit in the ETSA annual report for the relevant year.

Over this 10 year period, particularly since the inception of SAFA, ETSA has worked in conjunction with SAFA to look at these sorts of opportunities as and when they arise in order to enhance the level of financial savings to ETSA's customers. The last one concluded in August 1987 is the Torrens Island Power Station fuel supply arrangement. It is a similarly based transaction to the Northern Power Station coal financing transaction I referred to which concluded in January 1986. The term was up to 25 years, transaction value \$350 million, representing the deposit ETSA received against future fuel supplies. The investor source was Australia, and ETSA's present value equivalent benefit is around \$30 million.

Again, the \$350 million represents a borrowing against which ETSA has future obligations to pay for electricity supplies. Analysing all those cash flows with respect to the similar Northern Power Station transaction, one simply does an analysis of the rate of return or implicit cost of financing. That came out at a lower cost than ETSA's conventional sources. That particular transaction and the earlier Northern Power Station coal financing transaction were undertaken to provide a store of funds for ETSA in advance of its capital requirements.

Whilst I cannot talk for the State Treasury, I understand that any of these transactions are done on the basis where the funding achieved is reported for Loan Council purposes. In a sense, those transactions were producing funds in advance of ETSA's needs, locking away a lower cost of borrowing for when those funds were required. I will come shortly to the defeasance, because that, somewhat after these particular transactions were concluded, was undertaken in a situation where the actual and then prospective demand for funds was somewhat lower than when we were originally looking at these particular transactions. In terms of the reporting of these transactions, we actually involve the local office of an international accounting firm in the lead up to and the undertaking of these transactions from the point of view of ensuring that whatever we do from the accounting and disclosure point of view they are consistent with accounting profession standards.

In terms of all the transaction documents and any other relevant ETSA papers relating to these transactions, these are always made available to officers of the Auditor-General's Department in total, as part of the normal ETSA audit arrangements. I will confirm again why we do these transactions. There are two legs to the argument as to the financing gains that are achieved. On the one hand, clearly, financing gains give rise to lower tariffs. ETSA's cost of financing is at present about 15 per cent of our total costs.

While that is significantly less than most if not all our interstate sister electricity authorities, 15 per cent is still a sizeable proportion of our costs and anything we can do to

reduce that assists in lowering tariffs. Furthermore, the transactions are undertaken in some ways to produce up-front gains—cash in pocket gains—and, to the extent that those gains are achieved, they are available to substitute for debt that we otherwise would have had to borrow. Given that we do that, it is consistent with the general ETSA policy of conservative or prudent financial management practices, and lower debt in the long run leads to lower tariffs by virtue of lower interest charges.

Defeasance (as reported in last financial year's annual accounts) was done in relation to the two financing arrangements I have sketched, that is, the Northern Power Station coal financing, which was concluded in January 1986, and the Torrens Island Power Station fuel supply financing, which concluded in August 1987. During 1988, and as reported in the ETSA 1987-88 annual report and the similar report of the Auditor-General, ETSA entered into an arrangement whereby the remaining debt from the 1986-87 financing transactions were defeased. That is a strange sounding word, but if one substitutes 'extinguished' or 'made nothing' it is a better way to think about it.

The treatment of the defeasance was handled under Australian Accounting Standard AAS23 entitled 'Set-off and Extinguishment of Debt'. Defeasance is a word that describes one of a number of potential ways that an entity can extinguish its debt. The particular financing transactions I referred to raised a total of \$555 million (these numbers are available in the annual reports) at favourable interest rates mainly for future capital funding requirements; a small portion of the funds were used for capital requirements at the time.

As a planned interim measure, the funds were held in the form of Government guaranteed financial assets generating a positive return or a spread above the cost of funds arising from the base financing transactions, and that positive return was what assisted the reduction in ETSA's financing charges. Since these transactions started, ETSA's net financing charges, before inflation adjustment, have trended downward consistently, since 1985 starting at \$113 million; in 1986 being \$111 million; in 1987 being \$109 million; in 1988 being \$103 million; and in 1989 being \$96 million. In real terms there is a significantly higher decline there for several reasons, one of which was the result of the financing transactions. With lower than expected capital expenditures and the prospect of uncertainty with respect to future capital expenditure, the planned substantial use of that \$555 million did not eventuate. It became an option to extinguish the remaining liabilities in line with ETSA's general policy of managing down its indebtedness by using the remaining proceeds from the transactions that were held as an interim in the form of Government guaranteed financial assets while still preserving interest savings. After extensive investigation, the best means of achieving this was determined to be that of defeasance, as per the particular accounting standard.

Defeasance has been a technique developed in the private sector for financial management purposes and was previously used successfully by SAFA, although the Defic companies were in relation to an earlier SAFA defeasance. Defeasance is a technique for extinguishing debt. Under the arrangements, ETSA required risk-free, that is, Government guaranteed, financial securities that collectively give rise to cash flows in future: that is, interest and principal amounts that match the remaining obligations that ETSA has under the Northern Power Station/Torrens Island Power Station financing transactions, that is, the cash flows from these securities match or can offset ETSA's future payment obligations. They are designed to do so in this sense.

The assets are placed in a special purpose trust in order to meet the future payment obligations. As a result, in

accordance with the particular accounting standard I have mentioned, it is appropriate to defease or extinguish the remaining liabilities from the financing transaction. It is also appropriate to record the fact that you have given up those financial assets or securities in order to do that. As can be determined from the annual report, the many liabilities from the financing transactions at the time of defeasance were \$543.4 million and the financial asset value used to offset them was \$490.1 million. They were both removed from ETSA's financial statements and were recorded as being removed, as is required under the disclosure requirements of the particular accounting standard. The difference between those two numbers represents the present-value equivalent of the future interest savings that ETSA would have had if it had kept the transactions on foot. So, in a sense, it is simply capitalising them into one amount. That was also recorded in ETSA's annual report and in the Auditor-General's Report.

In line with the arrangements for simply disclosing and reporting all of these transactions, the defeasance arrangement was analysed by the same local branch of the major international accounting firm to ensure that ETSA's treatment and disclosure of this particular defeasance arrangement was in line with the Australian accounting standard and appropriately disclosed.

Defeasance in the sense that ETSA has used it is simply a financial management tool to be used consistent with ETSA's thrust towards a conservative financial management approach, that is, a lower debt. Prior to finalisation, the Auditor-General's staff were also involved in reviewing the workings of the defeasance and its disclosure prior to its actually coming into being.

I conclude by referring to some of the key issues that are always addressed either in major asset-based transactions that are concluded or considered. First, any transfer of title to plant either through sale of the plant or an interest given in plant by way of a lease by ETSA is only ever directed towards ETSA achieving financial benefits either by way of lower financing charges or up-front gains.

The following conditions apply as part of any transaction or proposal. No interference with ETSA's right or ability to operate and maintain the assets involved in accordance with ETSA's normal requirement and statutory obligations to do so in the interests of its customers in this State. ETSA uses its own normal resources, including its own employees, to operate and maintain the assets. If ETSA passes legal title in a sale and lease-back transaction, at the end of the term of the financing the particular legal title must be passed back to ETSA. If that is not the case, they are not finance lease or financing arrangements and presumably the Auditor-General's office would not allow us to report them in that way for the past 10 years. Any such arrangements are made in conjunction with State Treasury and SAFA.

The transactions can only be entered into with the consent of the State Treasurer, and the particular investors are always most anxious to ensure that an independent South Australian lawyer gives an opinion to that effect, as with some other relevant issues. All legal documentation is entered into and reviewed in each case by competent legal advice. ETSA retains its own solicitors to look at the issues of operating capability, rights and obligations, and Crown law is involved as well. ETSA assumes no foreign exchanges whatsoever under any of these transactions, no matter where the particular investors are sourced. That is a matter that ETSA, in conjunction with SAFA, requires, simply because we are doing these transactions to earn financial savings against a convention cost of funds.

Where the financing arrangements result in an additional level of actual borrowings, these borrowings, as far as I am aware—although this is obviously a matter for State Treasury—are reported as part of the State's normal Loan Council borrowing allocations; they are not done to get around Loan Council.

As a rule the disclosure of the financial effects of these transactions are made in our annual report, and presumably in the annual report of the Auditor-General.

The Hon. E.R. GOLDSWORTHY: Although I appreciate that lengthy reply, my question concerned SAFA's report and the second to bottom item on page 34 concerning the 1989 loan of \$291.6 million and the 1988 loan of \$397.9 million, and the second to bottom item on page 35 that refers to the \$110 million interest-bearing capital in 1988 and 1989.

Mr Coleman: At the bottom of page 34, note 15 to the accounts refers to the balance sheet. As at 30 June 1988, ETSA was indebted to SAFA for \$397.9 million; and at the end of June 1989, it was indebted for \$291.6 million, which implies a decrease over the year of some \$106 million. They are balance sheet items, that is, at that point of time rather than what occurred over the course of the year. In no sense does that mean that ETSA has borrowed from SAFA \$690 million over these two years. In recent times ETSA has been declared, under the Government Financing Authority Act, such that ETSA's funding is done through SAFA. A significant part of ETSA's historical borrowings is now on SAFA's books and ETSA is indebted to SAFA. In a real sense it was a rearrangement of existing debt.

As to the question about interest-bearing capital, several years ago a separate rearrangement was made involving \$110 million out of \$160 million, the sum of ETSA's debt with the Treasurer in historical terms. It was determined by the Treasurer that \$110 million of the \$160 million would be deemed a non-repayable capital contribution, the remainder being simply indebtedness by ETSA to the Treasurer. It was the conversion of debt into equity; it was not an addition of debt in ETSA's books. That is not to imply that \$220 million of capital was provided to ETSA by SAFA over those years. SAFA took over from the Treasurer both the remainder of the debt of the \$160 million plus the \$110 million interest-bearing capital or non-repayable capital contribution. In ETSA's accounts, in the reserve section of the notes we show the \$110 million as a non-repayable capital contribution, which is simply another phrase for 'interest-bearing capital'.

The Hon. E.R. GOLDSWORTHY: ETSA is not expected to repay SAFA?

Mr Coleman: My understanding is that the arrangements are that the \$110 million is equity—non-repayable.

The Hon. E.R. GOLDSWORTHY: For how long has that arrangement existed?

Mr Coleman: I am not sure.

The Hon. E.R. GOLDSWORTHY: You are saying that SAFA has equity in ETSA?

Mr Coleman: Yes. About five years ago (and I can check the details) there was a rearrangement of the Treasurer's loans to ETSA and, as part of SAFA's rearranging the Treasurer's financial relationships within the public sector, SAFA took over the \$110 million equity investment.

The Hon. E.R. GOLDSWORTHY: A bit like the State Clothing Corporation or the forestry arrangements? SAFA has taken equity in some Government instrumentalities.

The Hon. J.H.C. Klunder: It is unreasonable to ask an officer of ETSA to draw a comparison with other Government entities. It should not be done.

The Hon. E.R. GOLDSWORTHY: It is highly appropriate to know what SAFA owns.

The Hon. J.H.C. Klunder: The Deputy Leader of the Opposition should be checking with the Minister responsible for SAFA.

The ACTING CHAIRMAN: Questions will be directed through the Chair to the Minister. It is up to the Minister to decide whether or not he wants his officers to answer the question.

The Hon. E.R. GOLDSWORTHY: I disagree with the Minister. The public have a right to know who owns what in relation to public assets. If I understand the fulsome reply to my initial statement, the purpose of raising these enormous amounts of money—the best part of \$1 billion—by leverage leases or something that is not, but resembles, a leverage lease (I am not clear on that, but the Minister need not bother to explain it further), was for the capital requirements of ETSA. That is what the Auditor-General told us. Blind Freddy knows that ETSA would not require \$1 billion for capital purposes in the foreseeable future.

If I understand the lengthy explanation correctly, ETSA then decided that it did not need the money for capital purposes, so we entered defeasance arrangements, which was simply the business of paying back some of the debt, having discovered that it was not required for capital purposes. Is that a reasonable interpretation of what I was told? That was the explanation given in the Auditor-General's Report. Over \$900 million—the best part of \$1 billion—was required for ETSA's capital purposes. I understand that ETSA then decided that it would pay back some of that.

The Hon. J.H.C. Klunder: The Deputy Leader has a right to know certain things, but he should ask the correct person. In this case that person is the Treasurer and not the Minister of Mines and Energy. I refer the latter part of his question to Mr Coleman.

Mr Coleman: Whilst the transaction values to which I referred add up to about \$1 billion, a significant level of that transaction value was on the basis of the so-called cross-border leases whereby ETSA, as disclosed in the annual accounts, having done the transactions, simply ended up with a relatively small amount of money, most of which was a financial one-off benefit. Given the Northern Power Station turbo-generator units 1 and 2, which were concluded in May 1986, the transaction value was \$130 million but, as disclosed in the accounts, ETSA paid away, out of the \$130 million, \$120.5 million on the same day the transaction was concluded by design, so that at the end of that ETSA simply had no further indebtedness or obligation to pay anybody and had \$9.5 million in its account.

If that principle is extended to some other relevant transactions, the figure ETSA raised in a real economical or financial sense was not \$1 billion but more like \$550 million to \$600 million. When those transactions were undertaken, there was a reasonable expectation with respect to the timing of the Northern Power Station unit 3 and the interconnection project. A review of our internal funding policies was proceeding. It was not unreasonable to undertake that level of borrowing in advance of expected requirements.

Furthermore, there was, and is, a reasonable level of debt, notwithstanding ETSA's overall relatively good standing in the Australian electricity industry for levels of debt; there was an existing portfolio of debt that could well have been substituted for that lower cost of funds available from those further transactions. The \$500 million to \$600 million figure is more relevant than is the figure of \$1 billion. It should be seen against ETSA's future plans and opportunities to do certain things within an existing relatively large debt portfolio. We thought that it was reasonable. Given that

certain capital expenditures, prospective capital expenditure plans and internal funding levels were realised, we were then in a position to deal with those basically good fundraising devices in a way that locked in the benefits.

Mr RANN: What is the proportion of electricity mains underground in South Australia compared with other States? With the continuing stobie pole debate, it might be useful to look at those comparisons.

The Hon. J.H.C. Klunder: I suppose that, largely as a result of ETSA's earlier work at Elizabeth, combined with the present arrangements for underground mains in all new land divisions, South Australia has a higher proportion of its mains underground than does any other State. The most recently available figures from the ETSA 1987 annual report reflect percentages as at 30 June 1987. The Australian Capital Territory, which is not a State, has a high percentage of underground mains, I presume because of the late development of Canberra, with 34.4 per cent. South Australia has the highest percentage of underground mains at 7.1 per cent; New South Wales, 6.6 per cent; Tasmania, 5.2 per cent; Victoria, 4.8 per cent; Queensland, 3.6 per cent; and Western Australia, 2.3 per cent. The Australian average is 5.5 per cent and, therefore, it can be clearly seen that South Australia is 1.6 per cent ahead of the average.

Mr RANN: In relation to interconnection, the Premier of South Australia and the Premier of Victoria, I think in 1984 or 1985, announced the three-State grid. How will the interconnection of South Australia with Victoria and New South Wales electricity grids benefit South Australian consumers?

The Hon. J.H.C. Klunder: The interconnections between the three States are scheduled to occur, as originally planned, on 1 December 1989, with commercial operation intended in March 1990. This interconnection is effectively a 275 kV transmission line stretching from the existing Tailem Bend substation to a new substation near Mount Gambier onto a new 500/275 kV substation at Heywood near Portland in Victoria. This link, which is similar to European and American interconnections, will allow an exchange of 'opportunity energy' to a maximum of 500 MW import or 250 MW export. On my trip to the United States some years ago, I sat next to an engineer whose only job was to regulate the transfer of energy between various grids in the United States, so this is being undertaken quite regularly overseas.

The interconnection will provide benefits to all ETSA's customers by effectively containing electricity production costs, which will be reflected in lower tariffs and in the reliability of supply. Savings in generation costs on the three-State system arise through the purchase and selling of electricity on an opportunity basis, if spare capacity is available in one system and if there is financial incentive to transfer electricity. The authority, which would otherwise use higher cost plant, could instead transfer electricity at a lower cost from another authority with spare capacity on lower cost plant. This 'opportunity' energy transfer benefit is estimated at \$5 million in 1990-91. The benefit is expected to increase to \$10 million per annum in the near future.

In addition, the electricity production costs can be lowered because the interconnected system enables the reserve capacity on the interconnected system to be shared between the States and hence reduce the size of reserve needed in each isolated State system. Reserve capacity is the additional plant required to maintain reliable supply, irrespective of uncertainties with forecast demand, particularly the effect of extreme weather conditions and planned and unplanned outages of plant. Considering the diversity in peak load occurrence and the difference in timing of plant outages experienced in each system, less plant should be

required. The benefit of this reduction for South Australia is that it avoids the need to have available up to 250 MW of reserve plant, a saving of approximately \$90 million.

The interconnection will also increase the security of supply to all customers. The fire at Torrens Island Power Station in 1985 provided an excellent example of how interconnection will assist in maintaining supply in circumstances which could otherwise lead to load shedding and blackouts. More recently, the effects of loss of generation on 3 September 1989 would have been minimal had the interconnection been operational. These benefits resulting from interconnection will be passed on to ETSA's customers—domestic, industrial and commercial—and will provide the Electricity Trust of South Australia with opportunities to contain future tariff increases and at the same time improve security of supply.

Mr RANN: In relation to ETSA's bushfire insurance premiums, immediately following the Ash Wednesday fire in 1982, as we all know, ETSA was confronted with huge increases in bushfire insurance premiums. What is the situation now?

The Hon. J.H.C. Klunder: Following the Ash Wednesday 1983 bushfire the situation was very serious in that ETSA was unable to obtain any insurance. By April 1984 insurance was obtained at a premium of \$8.26 million and that should be compared with the pre-bushfire premium of \$600 000. By taking less cover, by increasing the excess and by undertaking bushfire mitigation measures, ETSA was able to reduce the premium in subsequent years. Since Parliament passed the legislation relating to ETSA that details the duties, responsibilities and liabilities for vegetation clearance and the regulations thereunder, the premiums have reduced even further, so that now ETSA pays about \$20 000 per \$1 million of cover, which is 2 per cent, compared with 9 per cent in 1984.

The Hon. E.R. GOLDSWORTHY: Earlier this year ETSA announced a review of its costs to industry and, also, an IAC report, I believe, was rather critical about what has happened to ETSA since 1982. According to a graph in the IAC report, South Australia now has the most costly electricity in the country. The report also states that ETSA's productivity declined, whereas power generating suppliers' productivity elsewhere in the nation improved. The report states:

... New South Wales, Victoria and Western Australia have all experienced significant productivity growth ... In contrast, total factor productivity in South Australia and in Tasmania ... declined ...

That situation is not quite so serious for Tasmania, because it has the cheapest electricity in Australia: however, it is significant for South Australia.

In the light of that evidence, who is conducting the review, has it been completed, and will the Minister provide any report prepared as a result of that review into ETSA's efficiency? The IAC report also comments about the possible use of the interconnection for other than opportunity cost electricity. If I have time, I will pursue that line of questioning. The report also mentions that, if one wants to attempt to obtain cheaper electricity, some study should be undertaken into the further use of that interconnection. However, the report indicates that, as far as the authors knew, the Government had not instituted any investigation into any use of that interconnection for other than this opportunity cost.

My understanding is that the most vehement opposition initially came from the Trades and Labor Council when some years ago it inquired about the attitude of various political Parties on the use of this interconnection. What

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has happened to this review? Has it been completed and, if so, can we get a report?

The Hon. J.H.C. Klunder: First, I want to deal with the question of the interstate comparisons, as this matter comes up from time to time. I will then ask the Deputy General Manager to address the question of the so-called internal review. The comparisons between ETSA and interstate electricity authorities are most frequently concerned with tariffs—that is, the actual customer charges—or, alternatively, with the overall average price of electricity. The IAC report also considers comparisons of the underlying costs of supply. Interstate comparisons of either tariffs or costs are fairly difficult to make or interpret, because there are numerous practical differences in State details, and so if one carefully selects one's examples it is possible to support quite different perceptions.

The Hon. E.R. GOLDSWORTHY: Are you suggesting that the IAC is not independent?

The Hon. J.H.C. Klunder: I will address that situation as I go on. Talking first about average price comparisons, there is a table in the IAC report which purports to give average cost data for 1986-87 and which has been used to support a claim that the ETSA average price is the highest in Australia. That table was actually inaccurate with respect at least to the South Australian costs. The indicated total cost of 10.31c per kilowatt hour for South Australia includes 1.97c for interest and 3.19c for depreciation. ETSA believes that more accurate figures for interest and depreciation would be 1.59c and 1.52c, respectively; that is, there is a combined error of over 2c per kilowatt hour. More appropriate comparisons of total average price based on the 1987-88 data are: South Australia, 9.3c per kilowatt hour in each case; Victoria, 8.1; New South Wales, 7.5; Queensland, 7.8; Western Australia, 11.1; Tasmania, 3.8; Northern Territory, 14; and the ACT, 8. So, while the South Australian average price is higher than the price in the eastern States and Tasmania, it is neither the highest in Australia nor as relatively unfavourable as the IAC table suggests.

Looking at the wider tariff comparisons, we see that the price comparisons for selected customer groups differ considerably from the average price relativities. The US comparisons (which are frequently given media publicity) focus on the relatively small group of medium to large industrial customers. South Australian costs in this category are relatively high, but there are other industrial and commercial customers where South Australian charges are relatively favourable. For example, a medium sized industrial customer using 50 000 kilowatt hours per annum would actually pay about 30 per cent more in Victoria than in South Australia. In very general terms, the customers who get the most benefit from the lower average prices interstate are the large industrial customers, such as aluminium smelters, which benefit primarily from relatively low interstate fuel prices.

The IAC report does not attempt direct interstate comparisons of productivity for specific activities but relies on a relatively superficial analysis of total factor productivity variations in each State over time. It is virtually impossible to draw any reliable conclusions from such studies, because there is no reason to assume that the different States were equal at the beginning of an evaluation period. Further, there is no recognition of changing circumstances within a period. For example, in the 10 year period 1978-79 to 1987-88, the proportion of electricity generated from coal produced by South Australian labour and by ETSA labour nearly doubled from 23 per cent to 42 per cent, with a corresponding impact on internal costs per kilowatt hour.

This does not imply falling productivity, as it can be shown that coal production per mine employee increased by about 23 per cent over the same period. ETSA has no illusions about the need to improve productivities and reduce costs, but there is no clear evidence of where the eastern States currently perform better. All the eastern States benefit from substantial scale economies compared with South Australia, particularly with respect to generation costs, and their average fuel cost advantage of about 1.3c per kilowatt hour is very close to the magnitude of their total 1987-88 average price advantage. As to the questions regarding an internal review, I will pass those on to the Deputy General Manager.

Mr Eastham: Could I have a clarification of the question, please?

The Hon. E.R. GOLDSWORTHY: The question related to a review which was announced earlier this year. The following statement was made in the *News* of 6 May this year under the heading 'ETSA review to curb costs to industry':

'An internal review of ETSA work practices will lead to a cut in the cost of South Australia's industrial electricity, currently the highest of any Australian capital,' the trust General Manager, Mr Marrett, said yesterday.

Who is conducting the review? Has it been completed and, if so, is the Minister prepared to present any report as a result of this review?

Mr Eastham: Earlier this year the Electricity Trust embarked on what is called an activities based analysis of our head office and support divisions within the organisation. This covered approximately 2 000 of our employees and we looked at the activities that were being carried out in those particular areas to see whether some activities no longer relevant today could be eliminated or perhaps enhanced. We have some consultant assistance to have a methodology of analysing all the work that we do in those activities. The outcome of this activities based analysis was that we identified that there is potential for reducing the number of employees in those areas by about 350.

However, before we can reduce those numbers it is clear that many of the ways in which ETSA does its business, and the systems that it uses in carrying out its work, will need to change, that there will in fact be a need for a greater delegation of authority, a greater autonomy and for the setting up of business centres within the organisation. These more modern management techniques will free up the number of people required to do the various activities. Very clearly, when one talks about reducing the number of people employed one must recognise that there are significant industrial implications. All of this work has been carried out in very close consultation with our employees and their representatives.

Concurrent with all this work we have had the award restructuring negotiations, which have been going on throughout the whole of the Commonwealth. At present, the Electricity Trust is examining in detail with the various unions the outcome of the August 1989 national wage case and the \$15/3 per cent award that the work force is eligible for as from August 1989 onwards, and then the subsequent 3 per cent, for which one is eligible six months later. We are planning to go to the Arbitration Commission later this year, and, in going to the commission to justify the awarding of any wage increases, many of the outcomes of the activities review and other award restructuring negotiations that are proceeding will be built into new definitions of awards with our employees. So, the answer really is that it is an ongoing process of implementation, and the implementation has been very carefully negotiated and is being discussed with our employees and their representatives.

The Hon. E.R. GOLDSWORTHY: How many people have received the once only grant of \$200 announced by the Minister on 21 December last year to help those in acute financial difficulties having problems paying their electricity bills?

The Hon. J.H.C. Klunder: I will take that on notice so that I can obtain the details.

The Hon. E.R. GOLDSWORTHY: What was the original estimated cost of establishing the Electricity Centre on Norwood Parade; what was the final cost; and was there any blow-out in relation to an asbestos removal problem?

Mr Eastham: I do not have the accurate figures but I can readily obtain them. There were some relatively minor additional costs in removing the cement asbestos roof late in the construction process, because an industrial situation arose concerning a large amount of cutting through the roof that created asbestos dust. As the roof needed to be replaced within two to three years, a decision was made late in the construction period to do the work during construction.

The Hon. E.R. GOLDSWORTHY: The budget papers indicate that about \$21 million will be spent all up on investigations of coal deposits at Sedan and Lochiel. What decisions have been made in relation to the likely use of those deposits as a source of fuel for ETSA's power generation?

The Hon. J.H.C. Klunder: That matter is largely handled by Mines and Energy, so we will defer that question until those lines are considered.

The Hon. E.R. GOLDSWORTHY: With reference to the IAC report concerning the advantages of power sharing across borders, similar to the New South Wales-Victorian arrangement, and the suggestion that there could be a possibility of some cost savings for South Australia if the interconnection can handle up to 500 megawatts, if this idea of simply buying opportunity cost electricity was carried further, maybe some component of base load could be negotiated using that interconnection. The IAC people suggest that it should be investigated but, to their knowledge, no such investigation was contemplated by the Government.

The Hon. J.H.C. Klunder: The honourable member is correct when referring to a 500 megawatt import to South Australia. Power the other way is 250 megawatts. He raises the question of moving from opportunity power supply to a contract power supply. I am most reluctant to head down that path. It is a political decision, if the honourable member regards it as such, for several reasons. First, I do not want the capacity of this State to be eroded, and that is the difficulty. There is no point in taking contract power and providing your own plant as well. Under those circumstances you might as well have your own plant, because you will not be getting opportunity power costs when you take contract power—you will be taking that component that deals with the capital cost of providing that power added into it. So, contract costs will be higher.

We would be exporting jobs both in the construction phase of new power stations here and in the supply and running of that power station. I see no point in exporting South Australian jobs interstate. If we ever became reliant on such a power station, there would be difficulties in that we might well be up for higher costs because the degree of reliance one places on something has an effect on the cost of supplying that. Basically, they are the kinds of reasons why South Australia does not intend to enter into a contract supply.

The moment 500 megawatts of contract power comes into the State, you then lose all further chance for opportunity cost power because it is no longer possible to add that to the line. All you have done is export jobs, export a

capacity, and made your system twice as vulnerable to interstate problems as well as problems here. It does not appear to be a sensible way to go. Certainly, this State needs to have its own power supply for its own use.

Mr De LAINE: There is considerable concern by all sections of the community about possible problems arising from the greenhouse effect. How is ETSA responding to this issue?

The Hon. J.H.C. Klunder: In any discussion on the greenhouse effect one must start by saying that there is no agreed accurate assessment of the magnitude of the possible problems that arise from it. There is now a gradual acceptance of the fact that there may well be problems, but the scope and size of those problems has not been clearly determined. Therefore, it is impossible at this stage to say whether it will be justifiable to take drastic action to try to reduce the effects, preferable to simply adapt to changes as they occur, or some combination of these two. However, ETSA is not simply doing nothing while others try to resolve the uncertainties. It has accepted that, if drastic action to reduce the greenhouse effect should be justified, early action is essential.

ETSA is therefore increasing its efforts to encourage increased efficiency in electricity use and, as a matter of urgency, exploring the ways to reduce CO₂ emissions associated with electricity production. In this respect, it is worth noting that because of our use of natural gas, ETSA CO₂ emissions per kWh produced are well below those in the Eastern States where coal is used to a much greater extent. In fact, even when the hydro power in Tasmania, the Snowy and elsewhere is included in the equation, the average ETSA CO₂ output/kWh is only about 80 per cent of the Australian average.

Mr De LAINE: There was a lot of publicity two years ago about delays in payments of claims against ETSA as a result of the Ash Wednesday fires in 1983. What is the present position?

The Hon. J.H.C. Klunder: ETSA was limited in its ability to deal with claimants directly while it was in the process of settling its claim against the insurers. Late in 1988, \$105 million was received by ETSA in full settlement of its claims and progress in settling individual claims has accelerated since then. On 31 August this year, of 2 163 claims 1 433 had been settled. As the details of many uninsured claims are yet to be submitted, we are unable to determine the net cost. The hiatus has always been the shortage of suitably experienced assessors to work for ETSA or the claimants, which is not surprising given that events such as Ash Wednesday are mercifully rare.

Mr De LAINE: The Minister recently announced the formation of the Power Line Environment Committee to expand the State's program of undergrounding existing overhead power lines for the benefit of the community. What is the scope of this committee and what are its finances?

The Hon. J.H.C. Klunder: Since the early 1970s about \$14 million has been spent on undergrounding or otherwise altering the overhead distribution system to improve the aesthetics where there is benefit to the community at large. The scheme had been managed by a committee called the Electricity Reticulation Advisory Committee which consisted of three members of the community and two ETSA officers. The group has been responsible for recommending projects which have cost ETSA about \$600 000 per annum. These funds have been matched approximately by local government and in some cases the Highways Department. In recent times the community has indicated that it is prepared to contribute more to accelerate the work.

Tourism has also been a consideration, to which more attention needs to be given. Accordingly, ETSA's contribution will be increased to a maximum initially set at \$2.6 million per annum provided that local government matches the expenditure on a one for two basis. That will decrease the local government share of any particular project and should allow it to undertake more projects. The new committee will comprise representatives from local government, tourism, and highways in addition to community representatives. Main tourist roads (for instance, from the airport to the city, Glen Osmond Road, and so on) are likely to receive attention under this program.

The Hon. E.R. GOLDSWORTHY: The Minister obviously misunderstood the point that I was making earlier. I am not suggesting that ETSA needs to write a contract to supply 500 megawatts, but that is what the line will carry. Therefore, the Minister's point about blocking off any opportunity cost is not valid. It depends what block of power one negotiates. If we have the dearest, the second dearest or, indeed, dear electricity, we shall be exporting jobs anyway. Manufacturers will not be able to afford to employ people, so the argument about keeping work in this State at any cost seems shortsighted. If we are to get anywhere with ETSA, we must make economic decisions.

What lead time is required for conversion of Torrens Island or building the third unit at Port Augusta? There are references in the budget papers to gas supplies. On page 483, it states:

Further supplementary gas supplies are to be negotiated... Arrangements for the supply of natural gas for South Australia until 1994 have been finalised. Additional reserves must be established or secured for future requirements.

It sounds as though we shall be in trouble if we do not find gas fairly quickly. Has ETSA any plans to wean off gas quickly? The year 1994 is not so far away and that is all we have in place. I read those references in the budget papers with accelerated concern. I always believed there was a question mark over these gas supplies when we were in Government. We are running out of time fast.

The Hon. J.H.C. Klunder: Does this question, which ought really to be dealt with by the Office of Energy Planning, signal that the honourable member has finished his questions relating to ETSA?

The Hon. E.R. GOLDSWORTHY: I think that my colleague may still have a question on ETSA.

Mr MEIER: The Minister, or his predecessor, has from time to time provided information on how the gasification program was going. Phase 1 of the testing was completed in 1985 and phase 2 was to commence in late 1986 or early 1987. If the phase 2 tests showed that the negative features of Bowmans coal could be overcome, the South Australian Government would need to decide whether to progress to phase 3, and that would be an engineering study in cooperation with the operators of power stations paying attention to the basic design and other factors. I have been waiting with eager anticipation to know whether phase 3 would be announced. Where does the coal gasification project stand, and how much has been spent to date?

Mr Welford: We completed the first phase and started the second phase. There are some problems with the second phase, but there is good reason to believe that they can be overcome. About the same time some overseas developments indicated that the basic design of the test facility which was being used in Germany was probably no longer likely to be consistent with some of the details of the technology that could be expected to emerge in the next two or three years.

Therefore, phase 3 was put on hold pending the overseas developments. Whether it will be appropriate to pick up

that project in the next few years and go on with phase 3 remains to be seen. We are waiting to see what happens. The technology is not commercially available in the sense that there are a number of plants operating on a commercial basis and at a stage where we could go ahead with such a plant without any significant risk. Therefore, it is not appropriate for South Australia to be a leader in a project which will cost \$1 billion. That is basically where the program is at present.

The Hon. J.H.C. Klunder: It is also reasonable to note that it is unlikely that we will require any electricity generating plant based on these principles until the next century, therefore we have the rare luxury of having a little time up our sleeves and being able to monitor overseas developments to see which development is most likely to suit our needs.

Mr MEIER: Is it possible to identify how much money was spent on phase 1 and, particularly, phase 2 as far as it went?

Mr Welford: All coals are different, so the fact that there may be a plant somewhere operating on some particular coal does not mean that one can use any coal. In the phase 2 tests there were some specific difficulties which, I believe, could be overcome but which related very much to the characteristics of Bowmans coal. That was a specific problem, and not a problem with gasification. On the question of commercial plant, I presume that the honourable member is referring to the relatively small plant which is used for producing syngas, which is not the sort of gas used for power generation and, although that project could be classed as commercial, it is a special project.

The last I heard, it was not economic and they did not propose to expand the plant, which was the first module of an intended ongoing project. It is not fair to claim that that was a commercial plant. Secondly, it was not relevant as producing gas in the form that would be used for a combined cycle power plant. On the question of costs, I cannot put my hands on the total costs to the State because it was a combined project. Perhaps the PASA people who monitored the total cost will take that on notice.

Mr MEIER: If the information could be provided later, that would be fine.

The Hon. J.H.C. Klunder: I am perfectly happy to provide that information.

Mr MEIER: How have our windpower experiments progressed? How much has been spent to date on considering wind energy potential in this State? Have we identified any specific sites that would be economic to develop, and how much further down the track are we looking before we might be able to establish a wind plant?

The Hon. J.H.C. Klunder: The work done by ETSA and OEP was to have an ongoing role in monitoring developments elsewhere and assessing prospects here, and a major evaluation of wind possibilities was completed fairly recently. At present we have an application with the National Energy Research Development and Demonstration Committee, a Federal committee which, for about \$400 000, is assisting in a demonstration of a 300 kilowatt wind generator which we would site at Coober Pedy, because it is clearly much more beneficial to have wind energy competing against diesel fuel than against the ETSA power grid. It would have to be in an area which the grid does not reach.

Mr Welford: Studies done in recent times have been directed at assessing the availability of wind throughout the State, and in the joint program with OEP we have looked at a wide range of locations in an attempt to assess the total potential throughout the State for wind generation. The basic outcome of that study was that, although there is quite

a bit of wind in South Australia, which has been generally talked about as a good site for wind generation, in relative terms, compared with places like California where wind power is used to some extent already, our winds are not as high as we would like.

The average cost of electricity generated from the more favourable sites arising from that study would be about twice the present cost of generation from conventional sites. In that sense, the immediate economic prospects are not good. As a result of that study, we have a very good understanding of what are potentially the best sites in South Australia, and when the economics are more favourable we will know where to start. We have not attempted to pick specific sites for specific developments, other than this proposal for the Coober Pedy demonstration. With regard to money that has been spent, this is a joint project and I am not entirely sure of the total amount. Perhaps OEP may have that figure.

The Hon. E.R. GOLDSWORTHY: Is it a fact that the Minister or an agent of the Minister instructed ETSA to cease its work on the overhead line at Golden Grove? It was reported to me that this was the case, and that it is the first time ETSA's works program has been interfered with by a Minister or his agent.

The Hon. J.H.C. Klunder: ETSA's work on the 66 kV overhead power line has been stopped, as I understand it. I have had a number of discussions with the management of ETSA about that over several months. I have not given a direction, but I will ask Mr Eastham to state what action was taken.

Mr Eastham: There is a need to link Golden Grove and Ingle Farm into our 66 kV supply so that ETSA can continue to provide a reliable service to our customers in those areas. Members must appreciate that ETSA is always aware of the needs and concerns of our customers. Some of our tree cutting activities, more than anything else, brought this home to us. During the past few months a number of individuals have raised concern about the overhead system that is to be erected in the Golden Grove area. It is the only overhead line in that area.

We are particularly sensitive that these people be given the opportunity to voice their concern and discuss it. There is no doubt that the line must go ahead. I decided to give people a further opportunity to raise concerns. The risk of delaying that line by a few months was minimal, and at this stage a new commencement date for its construction has not been set. Naturally, with an issue such as this, the Minister is kept fully informed.

Additional Departmental Advisers:

Mr R.K. Johns, Director-General, Department of Mines and Energy.

Mr T.R. Watts, Deputy Director-General.

Mr A.R. Marrett, Director, Administration and Finance.

Mr T. O'Rourke, Senior Accountant.

Mr R.A. Frears, Chief Geologist, Oil, Gas and Coal.

Mr P.R.H. Hill, Director, Policy and Project Development.

Mr R.L. Wildy, Acting Director, Mineral Development.

Mr J.H. Fenton, Director, Mining Operations.

Mr J. Noble, Assistant Director, Office of Energy Planning.

The Hon. E.R. GOLDSWORTHY: What is the present situation in connection with Sedan and Lochiel? If my memory serves me correctly, \$21 million has been spent on the feasibility study.

The Hon. J.H.C. Klunder: Completion of the Lochiel and Sedan coalfields study in June 1989 is the culmination of many years of effort. Membership of the working groups was drawn from the Department of Mines and Energy, ETSA and CSR. More accurate mining and electricity costs have been derived from both coalfields, and combustion testing at the ETSA test facility at Osborne and flame stability tests at Playford Power Station at Port Augusta have demonstrated that boilers can be designed and built to use Lochiel coal.

Evaluation of these low grade coal deposits included technical and economic assessment, and estimation of electricity costs from a 500 MW pulverised fuel power station at nominated mine-site locations. Coal reserves are more than sufficient to meet fuel requirements of such a station. The main conclusions of the study are:

Lochiel and Sedan coalfields are both viable alternative sources of fuel for a mine-site, pulverised fuel, 500 MW power station.

Lochiel provides the lowest cost option.

No significant environment impacts were identified with either project.

The owners of the Wintinna (Meekatharra Minerals), Kingston (Western Mining) and Weedina (Cyprus) coal deposits have been informed of the Lochiel and Sedan coalfield evaluation and, should any of these proponents have new information or studies which has substantially reduced the cost of delivered coal from their deposit to a point where they now believe it is competitive with Lochiel and Sedan, they will be able to contact the department to initiate discussions and to obtain more precise advice on the timing, guidelines and overall economic targets for any further submission that may be considered. I understand that Meekatharra Minerals has indicated its intention to submit a mining study for the Weedina and Westfield deposits, addressing a number of scenarios, to Government later this year.

The Hon. E.R. GOLDSWORTHY: How much was spent on these studies? What is the estimate of the cost of power for the 500 megawatt station?

Mr Johns: I do not have the precise figures at my fingertips. I guess that about \$10 million has been spent to date on assessing the two deposits at Lochiel and Sedan.

The Hon. E.R. GOLDSWORTHY: What is the estimated cost of power from this 500 megawatt station?

The Hon. J.H.C. Klunder: Not having clearly defined the pulverising method to be used with burning coal, it is a little hard to estimate the cost of a station. I am advised no actual figure is yet sufficiently refined to be able to stand up to scrutiny. Because of that, I would hate to indicate a ballpark figure, because the honourable member might hold me to it at a later date.

The Hon. E.R. GOLDSWORTHY: Earlier the Minister said that these figures had been made available to Meekatharra and others who were interested, and if they could come up with a better ballpark figure they would be listened to. If they do not know what it will cost how will they do that?

Mr MEIER: From what the Minister has said and from other information, has reasonable thinking gelled in relation to where a power station may be located? Would it be on site, near site, near Port Wakefield or on the deeper water side near Wallaroo or Myponie Point? If a specific answer cannot be given, I ask whether key factors have been considered on where the power should be with respect to Lochiel, having heard the Minister say that that was the most cost-effective site so far.

The Hon. J.H.C. Klunder: We are talking about a power station that is likely to be built somewhere in the next century—well over a decade away. At this point I doubt whether anybody would have the bravura to suggest where it was going to be placed or what would be the environmental impact of placing it in such a position and whether indeed an environmental impact statement would indicate that it would have to be built elsewhere. It is very much a situation where one can progress reasonably slowly because there is no hurry at the moment. Indeed, much of the technology necessary for the building and operating of such a station has not been refined to the point of commerciality yet. That is why I was reluctant to give the cost of a power station to be built using a technology which has not yet settled down and is not commercial.

Mr De LAINE: I refer to page 481 of the Program Estimates under the heading 'Safety in and near the Workplace'. How is the implementation of the Occupational Health, Safety and Welfare Act working out in practice in regard to activities carried out under the Petroleum Act 1940?

The Hon. J.H.C. Klunder: The Petroleum Act has been used successfully since 1940 to enforce and improve safety standards at petroleum industry operating centres such as drilling rigs and production facilities. This was done through a system of regular inspections by inspectors duly appointed under that Act. Whilst the implementation of the Occupational Health, Safety and Welfare Act of October 1987 made substantial changes and improvements to the development, administration, management and enforcement of safety policies and programs throughout the work force, the regulations under the Petroleum Act still form the basis of safety in the workplace but the Act provides an improved basis for its administration. These regulations, last revised in 1970, have recently been revised and take account of the technological developments since 1970. I expect that they will be tabled some time in the near future.

Mr De LAINE: We all know that mining and quarrying are noise-intensive industries. What steps are being taken by the Department of Mines and Energy to ensure that employees are adequately protected against hearing loss?

The Hon. J.H.C. Klunder: An important function of the mining operations division within the department is to ensure that a high standard of occupational health and safety is maintained throughout the mining industry. This is one of the responsibilities of the inspectors of mines, who administer not only the Mines and Works Inspection Act and regulations but also the Occupational Health, Safety and Welfare Act, the Noise Control Act and all regulations thereunder. Both the Noise Control Act and the Occupational Health, Safety and Welfare Act require that employees be not subjected to noise levels that may result in hearing loss. To ensure that this does not happen, spot checks are made by the inspectors.

In addition, monitoring of positional and personal noise levels throughout the industry is carried out by the occupational health and environmental monitoring section of the division. Employers who do not have appropriate hearing conservation measures are directed by the inspector of mines to remedy that situation. If necessary, an order may be given to remove the offending noise source from service. To assist industry in the adoption of appropriate hearing conservation measures, inspectors and monitoring staff provide information on the following items: an action code that outlines the required engineering and administrative controls; effective retro-fitting of noise control equipment; the use of acoustic materials to control noise levels; and the effectiveness of various types of hearing protectors such as ear muffs and plugs.

Mr De LAINE: Will the Minister advise the Committee on whether the operators of the Olympic Dam project are complying with the radiation safety requirements of the relevant Acts and codes of practice and what checks are being undertaken by the Minister's department to ensure the accuracy of any monitoring results?

The Hon. J.H.C. Klunder: The short answer on whether or not operators are complying with radiation safety requirements is, of course, 'Yes'. The Olympic Dam operations are complying with radiation safety requirements. It employs its own radiation staff who are responsible for monitoring work locations and personnel working underground in the metallurgical plant and associated areas. Monitoring is carried out in compliance with the Radiation Protection, Mining and Milling Code of 1987 and in consultation with officers of the South Australian Health Commission and Department of Mines and Energy. Departmental officers working from the Roxby Downs office conduct what is known as a 5 per cent side by side check of underground radon daughter measurements and a quarterly survey of the metallurgical plant for gamma radiation. Random spot checks for dust and surface contamination are also conducted. The South Australian Health Commission conducts its own side by side comparison monitoring as well as more detailed investigations in order to determine exposure rates.

The Hon. E.R. GOLDSWORTHY: It is stated that arrangements for the supply of natural gas to South Australia until 1994 have been finalised; additional reserves must be established or secured for future requirements. What is the position with reserves? Last year the Minister was not quite as forthcoming as we expected. In fact, it was hard to get any handle last year on what were the reserves. What is the position? They are secured until 1994 and we need to find further gas supplies. What reserves are in place?

The Hon. J.H.C. Klunder: I will ask Mr Noble to give a comprehensive answer.

Mr Noble: Basically the position with gas supplies is that in the new contracts signed in February this year we have provided fully for the State's requirements for the five-year period from 1989 to 1993 inclusive. They go on to provide that by the end of 1991, provided certain exploration targets are met, those contracts will be extended to 10-year contracts. The exploration targets I mentioned are that over the three financial years—1988-89, 1989-90 and 1990-91—the producers have committed to increase their reserves by a further 450 petajoules, which would have the effect that, by the end of 1991, the State's contracted gas cover from the South Australian Cooper Basin producers would be extended to the year 2001. Hence we would have achieved a 10-year rolling forward contract cover. Those contracts provide for the full State's requirements until the end of 1993 and about 70 per cent of the State's requirements from the year 1994.

As the Minister and Premier made clear when the announcement was made, I think on 1 March, we are also negotiating with a number of other prospective gas suppliers for that 30 per cent of our requirements to make up our total needs from the year 1994. Those negotiations are basically being conducted with three different groups and, due to the airline strike, I was in Jackson the day before yesterday, which was about the only place that was mutually agreed, to discuss a contract with the South-West Queensland producers. The three groups with which we are negotiating are the South-West Queensland producers, the Amadeus Basin in the Northern Territory and the Katnook producers led by Ultramar in the South-East of the State.

Negotiations are proceeding with those groups with a view to finalising a contract with one of them, preferably by

Christmas, but certainly no later than a month or two after Christmas. The Katnook producers recently committed themselves to spending money on two further exploration holes with a view to making them a real competitor in terms of their ability to supply that remaining 30 petajoule window in the gas market. In fact, the Senior Vice-President of Ultramar Inc.'s parent company was in Australia earlier this week with a view to, first, expressing his commitment to Ultramar's wishing to be considered as a real candidate for that gas market and, secondly, indicating that they were committed to making this financial commitment to put them in the running to supply that gas market.

The Hon. E.R. GOLDSWORTHY: As a supplementary question, Mr Noble mentioned 400 petajoules over six years supply of gas.

Mr Noble: The figure was 450 petajoules.

The Hon. E.R. GOLDSWORTHY: Over six years supply of gas?

Mr Noble: No, the current total gas market for the State is about 90 petajoules per annum, but we have to be reasonably careful in indicating how many years, because that 450 petajoules will go towards supplying the 70 per cent of the market that the local producers will supply from 1994; so, in those terms, it is about 6½ years supply of that 70 per cent.

The Hon. E.R. GOLDSWORTHY: That gas has not yet been discovered. As I understood the reply, the producers have given some undertakings that they will find that gas, but the gas has not yet been discovered and nor have the petajoules been proved up for the window of the other 30 per cent.

The Hon. J.H.C. Klunder: For each of the years 1989, 1990 and 1991, 150 petajoules has to be found. Between 1 January and 11 August of this year a total of 111 BCF of sales gas has been added to the reserve base, so this year it seems that the producers are on target for the 150 petajoules that must be discovered this year. The 30 petajoules does not have to be found in the Cooper Basin and, as I understand it, several people are quite keen to sell us that 30 petajoules, or I suppose any amount over and above that which they can sell and which we need. We are trying to get as many competitors into the ring as possible for that 30 petajoules and, at the moment, we have South-West Queensland, Amadeus Basin in the Northern Territory and possibly Katnook as well as the Cooper Basin producers, should they find the necessary reserves in time.

The Hon. E.R. GOLDSWORTHY: The short answer is that it has not been found as yet.

The Hon. J.H.C. Klunder: The 30 petajoules has not been found in each of the four locations, but it is certainly available in at least two locations.

The Hon. E.R. GOLDSWORTHY: I understand that the increase in royalties relates to hydrocarbons. Page 484 of the Program Estimates states that the 1989-90 forecasted royalties for petroleum and coal (\$44.085 million) reflect a 48 per cent increase over 1988-89 actual royalties (\$29.859 million). The overall royalty figure, which I think was about \$50 million, indicates that there has been a significant increase in royalties from hydrocarbons and coal. What actually accounts for that significant increase?

The Hon. J.H.C. Klunder: ETSA expects to use an increased amount of coal, and increased royalties flow from that, but the most significant point is the increase expected from a renegotiation of gas and liquids royalties. Those negotiations have only just commenced.

The Hon. E.R. GOLDSWORTHY: That resulted from the arrangements put in place by me as Minister when we renegotiated contracts that had been negotiated by the Hon.

Hugh Hudson and expired in 1989. The royalty rate was fixed at 10 per cent. We negotiated the Stony Point liquids scheme, and an increased royalty of 12.5 per cent was arranged.

The Hon. J.H.C. Klunder: The royalty renegotiation commenced a couple of weeks ago in discussions between the committee (which I set up for that purpose) and the Santos producers.

The Hon. E.R. GOLDSWORTHY: That is under the terms of that legislation?

The Hon. J.H.C. Klunder: I expect it to be as wide-ranging as possible.

Mr RANN: In relation to oil, gas and coal—program 4 on page 484 of the Program Estimates—given the expected decline in Australian self-sufficiency in crude oil, what has been done to encourage the best possible recovery from known reserves of petroleum in South Australia?

The Hon. J.H.C. Klunder: The department has been closely involved in ensuring that the highly successful Timurlarra/Mooran miscible gas flood enhanced oil recovery scheme has proceeded. The Cooper Basin joint venturers are to be congratulated for the technical and management skills displayed in developing and operating the scheme successfully in the recent unstable crude oil market conditions.

Oil flow rates from the field are now comparable with those achieved when the field was first discovered. The department has supported the project from its inception and has recommended that ethane be allowed to be used in this scheme. The department has also allowed operation of a number of wells.

The Cooper Basin joint venturers are also operating a water flood enhanced recovering project. The department and the joint venturers are actively investigating a number of other fields as possible candidates for enhanced recovery techniques. The technical and economic feasibility of these studies requires more study before any decision to go ahead can in fact be given.

A number of gas fields are also being investigated to determine whether the management of the reservoir should take account of the relatively high content of liquid hydrocarbons. Some of these fields may experience sufficient condensation of liquid in the reservoir under normal depletion to warrant consideration of enhanced recovery schemes.

Mr RANN: What is South Australia's position as a petroleum producer in relation to total Australian production?

The Hon. J.H.C. Klunder: It is a quite fascinating picture. I shall quote 1988 production figures for Australia and South Australia. Australia produces 189 million barrels of crude oil. South Australia produces 9.3 million barrels of crude oil, which forms a total of 4.9 per cent of Australia production. In terms of LPG, Australia produces 24.7 million barrels, while South Australia produces 6.2 million barrels, with South Australia thus producing just over 25 per cent of the nation's LPG. As for natural gas, Australia produces 15 384 million cubic metres and South Australia produces 4 727 million cubic metres, thereby producing 30.7 per cent of natural gas in Australia. So, South Australia certainly contributes quite markedly to the amount of energy that is produced in that fashion.

Mr RANN: How much oil and gas was actually found in South Australia in 1988? Further, what is the status of the 1989 exploration program?

The Hon. J.H.C. Klunder: Santos reported that 299 billion cubic feet (that translates to 315 petajoules) of sales gas and 7 million barrels of recoverable oil had been added to reserves in petroleum exploration licence areas 5 and 6 by exploration and appraisal drilling during 1988. As at 11 August 1989, as I have indicated in answer to an earlier

question asked by the member for Kavel, a further 111 billion cubic feet of sales gas has been added to reserves and, as well as that, 1.2 million barrels of recoverable oil have also been added to the petroleum reserves in South Australia.

The gas discovery at Katnook in the Otway Basin has been enhanced by the results of Katnook 2 and Ladbroke Grove 1. The proven reserves are still quite small, but possible reserves are significant. Additional appraisal drilling is required to increase proven reserves at Katnook, and the operator, Ultramar Australia, plans further exploration and appraisal drilling before the end of this year to secure gas supplies for a local south-east market and possibly part of the Adelaide gas market after 1993.

Mr RANN: How have electricity and gas price rises in South Australia compared with CPI movements in recent years—and this relates to the Energy Planning program at page 483 of the Program Estimates?

The Hon. J.H.C. Klunder: I can indicate what the announced average increases in electricity and gas tariffs have been over the past four or five years. The announced tariff increase for electricity on 1 November 1985 was minus 2 per cent; on 1 November 1986 it was 6.8 per cent; on 1 July 1987 it was 5.5 per cent; on 1 July 1988 it was 4 per cent; and on 1 July this year, as members would no doubt recall, it was 2.5 per cent. As to metropolitan gas price tariff increases, on 1 January 1986 there was a drop of 4 per cent; on 27 August 1986 there was an increase of 6.4 per cent; on 27 August 1987 there was an 8.4 per cent increase; on 27 July 1988 there was a 4.2 per cent increase; and on 2 February this year a 2.9 per cent increase was announced. So, since 1984-85 there has been a general downward trend in real electricity and gas prices in South Australia, and over the four year period to 30 June this year average electricity and gas prices fell in real terms by about 13 per cent and 12 per cent respectively.

The Hon. E.R. GOLDSWORTHY: In December last year, the following comments appeared in the press—and this was under the bold headline 'SA sights on \$100 million uranium sales lift'—as follows:

South Australia is poised to sell an extra \$100 million worth of uranium following Japan's decision yesterday to cancel import contracts with South Africa. The Minister of Mines and Energy, Mr Klunder, said last night that Roxby Downs was capable of meeting new Japanese orders which could involve about 30 per cent of its \$300 million total import.

That was very optimistic, and I further note in a fairly recent publication from the International Atomic Energy Agency that 428 nuclear reactors are currently in operation, generating electric power. I hope that the member for Briggs—who at present is the Acting Chairman—is listening. There are 428 reactors in operation around the world, and there are no less than 111 under construction. Members of another place—the minority Party—and other anti-uranium spokespersons, like the Acting Chairman, have been saying that no new power stations are on the drawing board.

The ACTING CHAIRMAN (Mr Rann): I hope the honourable member is not reflecting on the Chair.

The Hon. E.R. GOLDSWORTHY: I cannot reflect on the Chair; I can reflect on the member for Briggs.

The ACTING CHAIRMAN: He is not here!

The Hon. E.R. GOLDSWORTHY: If the member for Briggs were here, I would say that he has been peddling untruths. However, lots of lies are being peddled in the public arena on the uranium issue.

The ACTING CHAIRMAN: I hope the honourable member is not reflecting on his own colleagues—but carry on.

The Hon. E.R. GOLDSWORTHY: No. I have a copy of a press release that was put out by the member for Briggs a week or two ago which is full of inaccuracies and untruths. Anyway, they are saying that no new power stations are on the drawing board, that nothing is happening. However, in respect of the USA—the figures for which are often referred to—it already has 108 up and running and seven are under construction. All in all, there are 428 operating and 111 under construction. Having regard to the Minister's optimistic statement made in December last year, will the Minister say what are the projections for uranium sales during the 1990s in a global sense? I am sure that the department has a handle on this.

The Hon. J.H.C. Klunder: Certainly Olympic Dam has the capacity to produce 1 900 tonnes of yellow cake annually. Since it is the only yellow cake producer in this State, it will be looking for contracts. The indication I gave (which the honourable member quoted) was merely in respect of the possibilities that existed. If he read that article further, he would realise that Roxby Downs producers would be chasing that market and would be hopeful of getting somewhere. To what extent they have been successful in penetrating that market, I do not know. Clearly, if the honourable member's optimistic projection of nuclear power stations springing up around the world like mushrooms is anywhere near true, they would have to beat off people who come streaming to their door to buy as much uranium oxide as they could.

The Hon. E.R. GOLDSWORTHY: I am quoting the Atomic Energy Agency statistics as recently as May relating to the number of power stations currently operating or under construction. What information does the Minister have on projections for the uranium market during the 1990s? If he does not know the answer, perhaps he could ask one of his advisers to provide information.

The Hon. J.H.C. Klunder: We will provide as much information as is available. It will have to come from the joint venturers at Roxby Downs.

The Hon. E.R. GOLDSWORTHY: The Minister does not understand the question. What are the worldwide projections for the uranium market for the 1990s?

The Hon. J.H.C. Klunder: I have no doubt that there are various projections around the place and the quality of those projections depends more on the ideological persuasion of the person making them than on the reality of the situation. Personally, I have given up trying to make sense of the predictions, because they come over an incredible range, and I have found it is much more useful to try to find out the ideological position of the person making the prediction than to listen to the prediction.

The Hon. E.R. GOLDSWORTHY: That is a stupid answer, with respect. One must make projections; companies make projections; the international Atomic Energy Agency makes projections; everyone makes projections on the markets. We hear all this business about there being no market in the short term for enriched uranium, and I accept that. I am talking about uranium as such. What are the predictions for the uranium market? If the Minister does not know, he gives some philosophical answer. Is the Minister not prepared to allow an officer of the department to answer the question?

The Hon. J.H.C. Klunder: With due respect to the honourable member, it was a stupid question, and that is why he got the answer he deserved. He has just supported the fact that there are an awful lot of predictions around the place. I am not terribly interested in the worldwide predictions because, clearly, in this State, they affect only Roxby Management Services, and I am sure that company will try

to keep an eye on the likely movement in uranium over the next few years because it has a particular interest in that. Predictions as to the amount of uranium that may be sold around the world depend on a large number of factors. The honourable member indicated a number of those. They also depend to a large extent on scientific discoveries made in the future. As I have indicated, I have seen so many different predictions that I no longer take terribly much notice of any of them.

The Hon. E.R. GOLDSWORTHY: The Minister is not prepared to answer, and he is not prepared to let any of his officers answer; obviously he has something to hide. Is the department, or the Government through the department, keeping any contact or seeking any information in relation to the uranium enrichment question (and I find it hard to believe that the department would not have information on the markets)? The Government has adopted an ideological stance, as we all know, but have any inquiries been made at all with regard to the former negotiations initiated by the Dunstan Government until it found that it did not have the numbers (that is both a political statement and a statement of fact)? Is any further contact being made or is there any monitoring of this question? Quite clearly nothing will be done before a State election—that is obvious.

The Hon. J.H.C. Klunder: I have an adviser on that matter. From time to time Mr Wilmshurst brings me up to date with the uranium industry on various levels and as to processes that are taking place.

The Hon. E.R. GOLDSWORTHY: As a supplementary question, what is the latest advice from Mr Wilmshurst in relation to demand for enriched uranium?

The Hon. J.H.C. Klunder: I do not have that information at my fingertips. The honourable member has a habit of coming back to the same question from many different angles to see whether, on the fifteenth or sixteenth try, something slips out. The situation does not concern us here, because this State is not going in the direction of a nuclear enrichment facility.

Mr De LAINE: The Program Estimates (page 481) refers to petroleum drilling accident frequency and severity rates and indicates an increase during the summer months. Is there any explanation for this?

The Hon. J.H.C. Klunder: I will take that question on notice. None of my officers appear to have any information immediately available on that.

Mr De LAINE: I note from the Program Estimates that the number of inspections of mining operations during 1988-89 decreased by 9.2 per cent compared with those undertaken during 1987-88, and the number of reportable accidents increased during the same period by 5.5 per cent. Why is this so? Is one dependent on the other? How does the Minister intend to reverse these trends?

The Hon. J.H.C. Klunder: The number of inspections has decreased. One inspector retired during that period, and it took some time to replace him. Another inspector became ill. Yet another inspector has had to be used quite extensively for redrafting mining regulations, which requires someone with the skills of an inspector. Extra time has been taken to cover individual inspections due to the provisions of the Occupational Health, Safety and Welfare Act as well as a greater emphasis on accident investigations. The 10 per cent increase in the time spent on resolving complaints, compared with the previous year, is a result, I presume, of a more environmentally aware public.

The increase in the number of reportable accidents is regrettable. The most likely cause is the increase in the number of people directly employed in the mining industry. There has been an increase of 24.6 per cent in mining

employment, so that, even though there has been an increase in the number of reportable accidents, the number of reportable accidents per thousand population shows that there has been an increase in the accident rate.

Mr De LAINE: What earthquake monitoring is being carried out in the high risk areas of the State?

The Hon. J.H.C. Klunder: I have some interest in this, because at one stage I assisted a friend to build a seismograph, for a joke. When we built it and put it in place, within a few weeks he had a phone call from Adelaide University asking to inspect it. After inspection, the university representatives indicated that it was of such quality that they would like to include it in their program, because it would give an extra point of reference for their data. I have always had a soft spot for seismograph stations since then.

Most of the old seismograph stations, established by the University of Adelaide and now maintained by the Department of Mines and Energy, are located strategically around the highest risk area from Spalding to Beltana, with three being close to Port Augusta. There is a further station at Cleve to partially cover the lower risk area of eastern Eyre Peninsula. Two vital stations, currently based at Woomera, will need to be completely refurbished and relocated early next year due to the dismantling of some old facilities and deterioration of others. This project is now in the early planning stage. It is hoped that some of the costs can be provided by private sponsorship.

Since March this year, earthquake activity has been 75 per cent above the normal level for the past few years and as a result data processing has been running about one month behind the normal schedule. Earthquake activity varies on the Australian plate over shorter and longer periods, and the recent activity is considered unusual, although not alarming. Two notable earthquakes, the MacQuarie Island earthquake of magnitude 8.3 and the magnitude 5.4 earthquake near Mount Olga, have occurred on the plate in this period.

For the latter event a team from SADME and BMR immediately followed up with an aftershock survey. The current major activity in South Australia is near Spalding and Arno Bay. The widely felt event at Tanunda on 27 February has not been followed by any further activity. To improve progress on the risk assessment of Adelaide, a seismologist has been employed for six months. A new station at Modbury Heights High School is expected to be operating by the time the observatory is opened in November.

Mr MEIER: I refer to page 476 of the Program Estimates. I note with interest from the resources summary figures that total expenditure for 1988-89, proposed and actual, shows a drop and for 1989-90 the proposed expenditure shows a further drop. Likewise, it shows a drop in employment, both proposed and actual and in the proposed level for the coming year. This is at a time when our balance of payments seems to need all the help it can get. Figures were to be released that I believe would show a further deficit of \$1.8 billion to \$2 billion, and I have heard an unofficial report that it is \$2.6 billion. I hope that is wrong, because heaven help us if it is right. This very important department can be a revenue earner and assist to get the State back on its feet by helping to overcome the massive deficits that we are facing. Therefore, why are we seeing expenditure and employment reductions, and what has caused them?

The Hon. J.H.C. Klunder: It is refreshing to hear a member of the Opposition who is not intent on sacking public servants right, left and centre. I may remind him of his attitude during this hearing at some future date. The recur-

rent expenditure is an increasing expenditure. The drop has been in the capital area from a proposed \$12.5 million to a proposed \$8.3 million. That is largely due to a reduction in the requirement at Roxby Downs. That is a peak caused by a particular project rather than a winding down of the capital works by the department.

Mr MEIER: Will the Minister comment on the reason for the reduction in the number of full-time equivalents?

Mr Marrett: The reduction in staff relates to an adjustment made by the Treasury with the department. It relates to fewer people working in our deposit account area, particularly in the workshops. Over the past 12 to 18 months there has been a reduction of 12 to 13 physically. Therefore, Treasury has made an adjustment in that area.

There were six full-time equivalent positions which the Treasury funded in 1983-84. They were termed unproductive employees in the workshop—primarily supervisors, cleaners, and so on. In due course they have been dropped off. In summary, it is an adjustment to the numbers of full-time equivalents between the Treasury and the department.

Mr MEIER: The Program Estimates (page 482) under 'Rehabilitation of Flowing Bores in the Great Artesian Basin and in the South-East' states:

Investigations have been undertaken at Nepabunna to assist in the design of an artificial recharge scheme to improve water quality. Additional work was carried out at the Angas Bremer recharge well to monitor the impact of artificial well recharge. This project has helped to stimulate local interest in private recharge schemes.

How successful have recharge schemes been? I can think of some wells in my electorate at Moorowie between Yorketown and Warooka in relation to which people have been expressing concern for some years that the well seemed to be dropping and have been seeking reticulated water. Of course, that is not this Minister's problem. I would appreciate hearing whether it would be applied to other wells, what the system is and how it is done. Further, does the rehabilitation of flowing bores simply mean the reconstruction of flowing bores in the Great Artesian Basin?

Mr Johns: Over a number of years the department has been engaged in repair and maintenance, particularly of wellheads, and the insertion of valves to control flows. Without having precise figures available, I believe that the program identified is about two-thirds complete. Initially, the program was designed to repair and attend to the shallower bores, those most easily remedied. Increasingly, we are faced with the more difficult repair jobs of deeper holes in the more central parts of the basin where the flows are greater and where the water generally is hotter.

We are now facing increasingly difficult tasks but, as time, money and opportunity permit, we are continuing that program. We think it important that water no longer flow to waste, which it has done hitherto. With regard to the Nepabunna investigation, the problem relates to providing domestic water supplies from river gravels, and the investigations we made suggest that throwing up an artificial weir would allow percolation of floodwaters which would otherwise be discharged down the stream, and they would be stored to give an opportunity of underground ingress.

The requirement is not a large one, but the concern is for quality rather than quantity. It is purely experimental, and I am not sure how far all that has progressed, although I believe a start has been made. It is being done to assist the community at Nepabunna. We have been conducting tests for some time now in conjunction with the local irrigators to study the opportunity for recharging the aquifers adjacent to the Angas Bremer River system during peak flood time.

It is early days, but there is no question that there is an improvement in the water quality peripheral to the bores.

One needs to pursue the degree to which recharge is taking place, because these people will not undertake the expense of installing these things, which are fairly expensive—it means that they have to have a system that takes in the water and separates out the trash and debris that comes down during flood time—without some offset against their licensing entitlements which, of course, is an E&WS Department matter. So, consideration is being given to how the irrigators might get recognition for the recharge offset against withdrawal, without penalty and, hopefully, with due recognition.

The Hon. E.R. GOLDSWORTHY: Has the Minister heard of the uranium institute in London which predicts for the mining industry around the world uranium markets and information in relation to the requirements for enriched uranium? Have any officers of the Department of Mines and Energy had any contact with this institute; do they have any information in relation to those markets; or do they have any contact with Urenco Centec, the people with whom there has been liaison about uranium enrichment since the mid-1970s?

The Hon. J.H.C. Klunder: I will check whether any of those contacts have been made or maintained. As far as I am concerned, much of this is quite irrelevant. We do not intend to have an increased uranium capacity in this State. We do not intend to move down the enrichment path, and the maintenance of contacts is purely in order to see what is going on, rather than having any intent to move down a particular path.

Mr RANN: Will the Minister outline to the Committee what progress is being made in the preparation of an energy plan for South Australia?

The Hon. J.H.C. Klunder: I made an announcement earlier this year in an address to a joint meeting of the Australian Institute of Energy and the Australian Institute of Petroleum, and work is well under way on the preparation of a State energy plan. The energy plan builds on the earlier document entitled 'Managing South Australia's Energy', dated February 1988, which defined the Government objective for the energy sector as well as subsequent reviews considered by the energy planning executive.

The energy plan will integrate the many issues currently confronting the energy sector. Questions of gas supply and price and coal development remain central to the State's energy future. In addition, energy developments must be undertaken in a way that is environmentally sensitive. They must avoid placing excessive demands for capital expenditure on either public or private sources. Energy prices must be structured in a way which ensures efficient use of resources, and also assists the competitiveness of local industry.

At the national level, Australian self-sufficiency in crude oil is forecast to decline to a level of about 35 per cent by the year 2000. By drawing together the issues, the document will provide an overall policy framework for the management and development of the State energy system, which producers and consumers alike may use in planning their individual operations. The energy planning executive is currently in the process of reviewing a draft document, and I hope to be able to release the energy plan by the end of this year.

Mr RANN: What resources and personnel does the Department of Mines and Energy have for ensuring compliance with occupational health and environmental standards?

The Hon. J.H.C. Klunder: In Adelaide, the personnel consists of a senior scientific officer class 3, a scientific officer class 1 and a technical assistant class 1; and at

Olympic Dam a scientific officer class 2. The Adelaide laboratories are at Glenside; there is a mobile laboratory for field trips and a laboratory in the township of Olympic Dam. The specific monitoring equipment that would come under the heading of 'resources' includes personal dosimeters for dust, noise, gamma and beta radiation, alpha surface contamination, radon, wet and dry bulk temperatures, wind velocities, radon emanation rates, and so on. There is laboratory equipment to determine radon and radium concentrations in water samples; and supporting equipment such as balances, calibration equipment, battery chargers, and so on.

Mr RANN: There is concern in some quarters that the Roxby Downs (Indenture Ratification) Act prevents the application of the normal occupational health and safety matters at the Roxby operations. Is that the case?

The Hon. J.H.C. Klunder: I can say categorically that that is not the case. The company has complied with the Occupational Health, Safety and Welfare Act and regulations since they came into operation on 30 November 1987. Also, the company operates under the Mines and Works Inspection Act. I understand the company has a radiation safety manual that is issued to all employees and contractors at their induction. An excerpt from that manual is as follows, under the heading 'Regulatory Controls':

Safety at work is the responsibility of all staff and workers.

Olympic Dam operates under various codes and Acts and is required to provide a safe and healthy workplace. All employees are required to act responsibly and to obey the regulations and company safety rules. These codes and Acts include a Code of Practice on Radiation Protection, the Radiation Protection and Control Act, the Mines and Works Inspection Act and the Occupational Health, Safety and Welfare Act. Copies are available on loan from the Radiation and Safety Superintendent.

The Hon. E.R. GOLDSWORTHY: Section 26 of the Roxby Downs indenture relates to further processing of product and requires the Roxby Downs joint venturers to provide to the Minister a report at three-yearly intervals. What was the date of the last report? What advice was contained in it?

The Hon. J.H.C. Klunder: I am advised that the first report is not due for another two years.

The Hon. E.R. GOLDSWORTHY: Will the Minister further elaborate on that?

The Hon. J.H.C. Klunder: The three years began in November 1988, so nothing is due until November 1991.

Mr MEIER: What number of sick days were taken last financial year? How many sick days were taken on a Monday, a Friday and the days immediately before or after a holiday weekend? What is the current salary of the Chief Executive Officer, and his salary as at 30 June 1988 and 30 June 1989? Does the CEO receive any allowances? Can this information be provided for EO and AO officers as well? How many officers are currently employed on the AO and EO levels? What was the cost last financial year and the budgeted expenditure this financial year for, first, salaries, wages and related payments; and, secondly, administration expenses, minor equipment and sundries?

The Hon. J.H.C. Klunder: I undertake to provide any information we do not presently have. I understand that as at 30 June 1988 the Chief Executive Officer's payment was \$85 481, which included a \$3 169 allowance. In 1989-90 that payment will be \$86 522, and allowances will be built into it. Sick leave taken during 1988-89 for employees under the GME Act was 1 875 days and for weekly paid employees it was 706 days, making a total of 2 581 days. Sick leave taken on Mondays was 370 days for employees under the

GME Act and 131 days for weekly paid employees, making a total of 501 days which is 19 per cent of total sick leave.

Sick leave taken on Fridays was 370 days for employees under the GME Act and 155 days for weekly paid employees, making a total of 525 days or 20 per cent of total sick leave. In relation to sick leave taken directly before or after holiday weekends for GME Act employees, it was 71 days and for weekly paid employees it was nine days, making a total of 80 days or 3 per cent of total sick leave. I am advised that the total number of Executive Officers in the department is nine and the total number of Administrative Officers is seven.

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

Works and Services—Department of Mines and Energy,
\$7 143 000—Examination declared completed.

Works and Services—Office of Energy Planning,
\$700 000—Examination declared completed.

[Sitting suspended from 6 to 7.30 p.m.]

Minister of Mines and Energy and Minister of Forests,
Miscellaneous, \$317 000

Acting Chairman:
Mr K.C. Hamilton

Members:
The Hon. H. Allison
Mr D.S. Baker
Mr M.R. De Laine
Mr T.R. Groom
Mr E.J. Meier
Mr M.D. Rann

Witness:
The Hon. J.H.C. Klunder, Minister of Mines and Energy
and Minister of Forests.

Departmental Advisers:
Mr R.F. White, Director, Commercial, Woods and Forests Department.
Mr D.R. Mutton, Acting Chief Executive, Woods and Forests Department.
Mr D.J. Geddes, Director, Support Services.
Mr D.M. Curtis, Finance Executive, Satco.
Mr B.W. Wall, Group Marketing Manager, Satco.
Mr I.B. Millard, Acting Director, Research and Development, Woods and Forests Department.

Mr D.S. BAKER: On page 488 of the Program Estimates I notice that the proposed capital expenditure for 1988-89 was about \$19.5 million, whereas the actual expenditure was only \$9 million. Will the Minister explain why there was such a drop in capital expenditure for 1988-89?

The Hon. J.H.C. Klunder: The \$6.5 million allocated for re-establishment or improvement of the Ash Wednesday fire area was initially included as capital. It is now regarded in the program papers, as it is in the case of departmental accounts, as recurrent expenditure. The major part of the remaining shortfall of \$3.7 million was expenditure planned

for the woodroom which is now to be concluded in 1989-90.

Mr D.S. BAKER: On 7 March 1989 I directed a question to the Minister as follows:

How will the Woods and Forests Department pay a dividend of \$3.5 million to SAFA this financial year?

In his reply, the Minister was quite critical of some of us and said:

I am not entirely sure whether the honourable member was the most stubborn of members opposite and, therefore, closed his copy—

of the Auditor-General's Report—

then, or whether he was the last to recognise that he did not have the nous to understand the situation.

Following an interjection from the Leader of the Opposition, the Minister said:

It is typical of the man that he opens his big mouth before he puts his brain into gear.

When he finally answered the question the Minister said:

The Auditor-General is talking about a snapshot picture on 30 June 1988. This is as up to date as the Liberals have been for years but we have moved on since then and it is now March 1989. I will answer the member for Victoria again: the positive cash flow that is necessary to pay the SAFA shareholding in Woods and Forests now exists.

I note that the SAFA annual report states that no dividends have been declared by either Satco or the department in relation to 1988-89. The Auditor-General is quite specific when he says that in the Woods and Forests report no dividends were declared for 1988-89. Where did the Minister obtain his information that a dividend would be paid, and was a dividend in fact paid?

The ACTING CHAIRMAN: Just before the Minister responds, I think it is worth reminding the Committee that we have a difficulty, that is, that we have before us the line Minister of Mines and Energy and the Minister of Forests, Miscellaneous \$317 000. I would also remind the Committee of the national afforestation grants of \$317 000. I understand that the Minister may or may not wish to respond if the honourable member's question is not within the budget line that we are discussing.

The Hon. J.H.C. Klunder: Mr Acting Chairman, I am very much in your hands in this matter. I am perfectly happy to respond to this question, although I appreciate your difficulty. I can only indicate that I am happy to answer questions, but it is up to the Chair to rule such questions and answers to be in order.

The ACTING CHAIRMAN: It is very difficult for the Chair to determine whether or not questions come within the budget lines. I rely on the assistance of the Minister to determine whether questions are within the budget line that we are discussing.

The Hon. J.H.C. Klunder: It is quite clear that the question which has just been asked by the honourable member does not come within the miscellaneous line that you have referred to. I guess I can only indicate that in the past the Committee has stretched the rules to the point where these questions have been answered. Mr Acting Chairman, while you are caught by the difficulty of the question, strictly speaking, being out of order, precedent has indicated that these questions have been answered in the past. I am quite willing to answer the question if you give me the go ahead that I am able to do so.

The ACTING CHAIRMAN: The Chair is constrained by Standing Orders, but will show as much tolerance in this matter as possible. The Chair does not want to frustrate any member of the Committee in asking questions.

The Hon. J.H.C. Klunder: I will give some background of the financial performance of the Department of Woods

and Forests over the past financial year as a precursor to some of the matters raised by the member for Victoria. The result achieved by the department was an excellent one for 1988-89, recording an operating profit—before notional tax—of \$46.5 million. Both forestry and sawmilling operations contributed to this favourable result. Sales revenue amounted to \$86 million compared with \$75 million in the previous financial year. Forestry revaluation revenue amounted to \$40.6 million. The method of accounting used identifies the revaluation revenue as part of operating revenue and takes into account all costs associated with achieving the increase in forest growth.

These costs are brought into account in the year in which they are incurred. This method of accounting therefore recognises all increases or decreases in economic value and is therefore considered the most relevant and reliable means of reporting the performance of industries such as forestry, with long production cycles. Included in the figures I have given is the cash flow result that the operating profit, including the revaluation revenue, was \$46.5 million, and the revaluation was \$40.6 million. Therefore, we had a positive cash flow, in terms of those two figures, of some \$5.9 million.

The honourable member asked whether or not a dividend was declared. He must be aware that it is up to any company to decide to declare a dividend or otherwise. This year the Woods and Forests Department did not declare a dividend and no doubt will use the money for its capital work in the current financial year. SAFA was informed of this and had no problems with the decision as indeed its revaluation of the assets it has in the Woods and Forests Department shows a healthy increase.

Mr D.S. BAKER: So, an answer on 7 March 1989 in which the Minister stated that a dividend would be declared was in fact wrong.

The Hon. J.H.C. Klunder: I would have to look at the question and answer as I do not recall saying that a dividend would be declared. I recall an answer in which I indicated that we expected a positive cash flow which would enable a dividend to be declared. As I understood the tenor of questioning during the year, the honourable member was concerned that we would not have a positive cash flow to pay a dividend if a dividend was appropriate.

Mr GROOM: I refer to the scrimber plant. The Auditor-General reports that the scrimber plant will be commissioned during the third quarter of this year. As the third quarter is close to completion, will this occur?

The ACTING CHAIRMAN: How does the member for Hartley relate his question to the line?

Mr GROOM: There is a degree of relevance to the miscellaneous line.

The ACTING CHAIRMAN: I ask the Committee to be tolerant with the Chair as it is not my intention to breach Standing Orders. I ask the Minister to, at least in part, relate the question to the line.

The Hon. J.H.C. Klunder: I would have considerable difficulty relating the question to the miscellaneous line. This discussion is similar to one that took place last year in respect of questioning on ETSA. Last year, as in the previous year questioning on Satco as well as Woods and Forests took place. I am prepared to answer the question but have some difficulty relating it to the miscellaneous line.

Mr GROOM: If questions are to be narrowed down strictly in accordance with the line, they must be applied generally to both sides.

The ACTING CHAIRMAN: The difficulty is that the Chair is unaware of what are national afforestation grants.

The Minister, and perhaps members, would be better versed than the Chair in this matter. If the Chair feels that the Committee is going beyond the bounds of what is laid down in Standing Orders and beyond the line under consideration, I will ask the Minister to discontinue his remarks.

The Hon. J.H.C. Klunder: Possibly, the best way I can assist the Committee is by providing an indication of what the National Afforestation Program actually is. It is a Federal Government initiative designed to stimulate a level of afforestation by State Governments, local government, companies, community groups and individual land-holders. Projects can include the establishment of hardwood plantations and the planting of trees to control land degradation or to rehabilitate degraded areas. The program has been developed in recognition of the increasing concern within the Australian community about the use of native forest resources in forestry and forest product industries and worsening land degradation.

The program is being administered federally by the Department of Primary Industry and Energy. The Woods and Forests Department provides the focus for the South Australian Government and, through a coordinating group (comprising representatives from the Department of Agriculture, the Department of Environment and Planning and the Engineering and Water Supply Department), develops State Government projects for submission to Canberra.

Since the first call for projects in the latter part of 1987, five have been submitted and four have been approved for funding. These four are as follows: first, eucalypts for paper making in the South-East, a joint venture between the South Australian Woods and Forests Department and Apcel Pty Ltd, the tissue manufacturer near Millicent. The planting involves two eucalypt species over 110 hectares designed to demonstrate planting techniques and growth rates to the small land-holders and to assess the profitability of such plantations in the South-East. These plantations have now been established on five sites and are now one year old.

The second of the projects is wood lots to reduce the salinity of irrigation water in the Riverland. In the Riverland, the South Australian Department of Agriculture, the Woods and Forests Department and the Engineering and Water Supply Department will work together to establish suitable hardwood trials utilising drainage water from an irrigation area near Loxton. The proposal includes a detailed appraisal of the interactions between water salinity, nutrition, water usage and commercial tree species. This information will help to make an economic comparison of wood lotting to the present means of drainage water disposal designed to reduce salinity in irrigation water. The site for this trial has been selected and the irrigation system is currently being installed. Planting of the wood lot should take place towards the end of October.

The third project includes farm trees to reduce dry land salinity in the rural regions of Eyre Peninsula and the State's Mid-North. This program, to be conducted by the South Australian Department of Agriculture in the State's Mid-North and on Eyre Peninsula, aims to demonstrate appropriate tree planting and land management practices for salt affected areas. Ground water levels and seasonal effects will be monitored during the first two years and plans for farm tree planting developed. Cooperation of private land-holders and Department of Agriculture officers will be involved. Modifications have now been completed on a drilling rig to be used to produce monitoring bores and field operations are about to commence.

The fourth program is agroforestry for fire prone water catchments. In this program, the Woods and Forests Department plans to establish about 150 hectares of demonstration

agroforestry plantings designed to meet the needs of specialist wood users, arrest future land degradation, minimise the effects of bushfires and add to the broad landscape appeal of the Mount Lofty Ranges. This combination of stock grazing and high value forest establishment and management will demonstrate and encourage land-holders to develop new ways of managing land for productivity in the fire prone Mount Lofty Ranges. The establishment of the first 50 hectares of this project is currently being completed.

The proposed expenditure on these four projects for the period to the end of the 1988-89 financial year was \$1.35 million, of which \$574 000 was to be funded through the National Afforestation Program and \$461 000 through the State Government agencies and other involved parties. However, as most of the projects are behind original schedules, only \$410 000 of funds from the National Afforestation Program were spent this financial year. In many cases, major works commenced following 30 June. So there is not a great deal of information which would enable a linking.

The ACTING CHAIRMAN: Based on advice that the Chair has received, the Chair will rule the question of the member for Hartley out of order. It does not comply with the sessional orders.

The Hon. H. ALLISON: Given that ruling and my understanding of what the Minister said, there is practically nothing in these lines which would allow us to investigate the Woods and Forests Department allocations, a situation which I find deplorable in view of the fact that the department has been an integral part of the State budget for decades—since 1948—and, to have it entered in such a way in the Estimates of Payments that that precludes any questioning, really reflects far more upon the Government and its questionable intentions than on Opposition numbers, who came here in perfectly good faith.

An honourable member interjecting:

The Hon. H. ALLISON: Yes, but the honourable member should bear in mind—

Members interjecting:

The ACTING CHAIRMAN: Order!

The Hon. H. ALLISON: I drove here from Mount Gambier, the honourable member should remember, and I arrived here at 7.20, specifically to ask questions on these lines. He must remember that this is not the first year that this has happened but that with the identical Minister we had, as the Minister has acknowledged, a problem when he declined to answer questions regarding ETSA when the Deputy Premier put them to him—and that caused some antagonism. That has happened again, but with a different line. The threat was there regarding this line last year so, surely, the issue should have been resolved in such a way that we could have asked questions.

Mr GROOM: The deficiency is in the sessional orders, not in the attitude of the Government or, indeed, in the attitude of the Opposition simply to bring about some sort of conflict. I do not think there is a conflict. I think the problem is simply with the Sessional Orders and I draw attention to order 3, which provides:

There shall be two Estimates Committees to be known as Estimates Committee A and Estimates Committee B which shall not vote on, but shall examine and report upon the proposed expenditures contained in the schedules.

I think the Committee is, regrettably, confined to that.

Members interjecting:

Mr GROOM: No, the schedules on the payments.

An honourable member interjecting:

Mr GROOM: The difficulty is that these sorts of problems simply must be ironed out before we go into Estimates Committees because, once we relax, we have no rule left. There are so many qualifications that, before we know it,

we are introducing completely extraneous matters which are simply not relevant and which prolong the duration of the Estimates Committee. I am very sensitive to the point that the honourable member for Mount Gambier raises, because I think all members of the Estimates Committee wish the Opposition to extrapolate as much information as they feel appropriate. The difficulty is that these sessional orders are the result of an agreement between the Opposition and the Government, and we are confined to them and to relevant questions based upon sessional order 3. So I do not think there is fault with the Government or with the Opposition.

The ACTING CHAIRMAN: I uphold the point. He is correct: the Chair is constrained by the Sessional Orders and, as I demonstrated earlier when this session commenced, I had great difficulties and members will recall that, prior to this evening's session commencing, I spoke to a number of members in relation to the problems that I foresaw. The Chair makes no comment as to who is to blame for this particular matter; suffice to say, however, that the Chair is constrained by the Sessional Orders.

Mr MEIER: You, Mr Acting Chairman, would be aware, as would all members that, whilst the Sessional Orders are certainly quite clear and specific, in all the Estimates Committees I have served on since 1983, reference has been made to the Program Estimates and information booklets, and I recall that it was pointed out in previous years that, whilst that did not necessarily come within the specific orders, the Chairmen in all cases, allowed reference to them and questions that relate to the Program Estimates.

I refer to page 495 of the Program Estimates and the program 'Manufacture of woodbased products'. Under 'Broad Objectives/Goals', it states:

- Convert available log into a range of structural, appearance, moulded, and engineered timber products required by the building, furniture and home improvement markets.
- Provide a range of high quality and durable preservative treated roundwood and sawn timber products . . .

I suggest that the Scrimber Corporation would also manufacture similar types of products.

In relation to the Mines and Energy lines, on several occasions reference was made to private companies, but they did not actually relate to specific programs undertaken by the Department of Mines and Energy. The questions were allowed and, where possible, the answers were given. I suggest that it would be totally appropriate to relate Scrimber to the Program Estimates.

The ACTING CHAIRMAN: Whilst appreciating the difficulties that the Committee has, I draw the member for Goyder's attention to the fact that the Bill is for an Act for the appropriation of money from the Consolidated Account for the financial year ending 30 June 1990 and for other purposes. Schedule 3 of the Bill states:

Amounts proposed to be expended from the Consolidated Account during the financial year ending 30 June 1990.

I again refer to Sessional Order No. 3 which states:

There shall be two Estimates Committees to be known as Estimates Committee A and Estimates Committee B which shall not vote on, but shall examine and report upon, the proposed expenditure contained in the schedules.

The Chair is constrained by the Sessional Orders.

Mr MEIER: As another point of order, may I suggest that, with due respect to the officers who are present, the Chair may wish to adjourn for five or 10 minutes and seek advice from the most senior person in this Parliament, because it is a very crucial matter involving some preconditions.

The ACTING CHAIRMAN: Before the member for Hartley takes a point of order, I thank the member for Goyder for that suggestion. The Chair has already solicited that

advice and the advice that I have given the Committee is the best advice that I can obtain.

Mr GROOM: My point of order deals with the point obliquely raised by the member for Goyder. I make the point that the broad objectives are just that—broad objectives. The Sessional Orders require items to be relevant to the proposed expenditure and that is what I ask the Chair to rule on. The deficiency highlighted by the member for Mount Gambier quite properly relates to a deficiency in the agreement between both Parties with regard to the Sessional Orders and not to any other surreptitious motive.

Notwithstanding the Sessional Orders, when problems of this nature are highlighted, other processes are available when Parliament resumes and the Estimates Committees are completed. The Opposition can avail itself of those processes for proper questioning, but I agree that the point highlighted by the member for Mount Gambier must be addressed by both the Government and the Opposition. If what are irrelevant matters are to be introduced into Sessional Orders, they must be made relevant through resolution of the Parliament.

The ACTING CHAIRMAN: As it has been explained, the difficulty the Chair has is that there is no line for those areas which I understand the Committee wants to examine. I have been asked to rule on this matter, and I will rule that the Committee is not in a position to examine those areas that have been canvassed. I draw the Committee's attention to the Bill before the Parliament, which is a Bill for an Act for the appropriation of money from the Consolidated Account for the year ending 30 June 1990 and for other purposes. I repeat that the first schedule on page 3 states:

Amounts proposed to be expended from the Consolidated Account during the financial year ending 30 June 1990.

No mention is made in that schedule to Forests. I further draw to the attention of the Committee the Sessional Orders. I repeat that Sessional Order No. 3 states:

There shall be two Estimates Committees to be known as Estimates Committee A and Estimates Committee B which shall not vote on, but shall examine and report upon, the proposed expenditure contained in the schedules.

I so rule.

The Hon. E.R. GOLDSWORTHY: Can I take a point of order?

The ACTING CHAIRMAN: No, I have made my ruling.
Members interjecting:

The ACTING CHAIRMAN: Order!

Mr D.S. BAKER: This is an absolute abrogation of parliamentary orders. It is a stunt pulled by members opposite.

The ACTING CHAIRMAN: It is certainly not a stunt by the Chair.

Mr D.S. BAKER: It is; it is a stunt.

The ACTING CHAIRMAN: Order! It is not a stunt by the Chair.

Mr D.S. BAKER: It is a stunt.

The ACTING CHAIRMAN: Order! I ask the honourable member to withdraw that reflection upon the Chair.

Mr D.S. BAKER: I withdraw.

The ACTING CHAIRMAN: I thank the member for Victoria, because I think that he knows the Chair has endeavoured to facilitate—

Mr D.S. BAKER: Mr Acting Chairman, when I was on the Committee you asked quite specifically on what line I was questioning; it is, black and white, and now you are going against that.

Mr GROOM: On a point of order, the fact is that the Acting Chairman has ruled that my question was not relevant to the line. I accept that ruling, because it is quite correct and it is as a result of an agreement between both

Parties. That does not stop the Opposition from asking any question in accordance with the Sessional Orders that have been agreed upon by both Parties.

The Hon. E.R. GOLDSWORTHY: On a point of order, as I understand your ruling, Mr Acting Chairman, you are telling us that we cannot examine matters that are raised in the Program Estimates in relation to the Government Department of Woods and Forests and, in particular, the manufacture of woodbased products? There has been either a ruse to preclude this questioning or a gross omission in the schedule. Are you telling us, Mr Acting Chairman, that we cannot ask questions on this section of the Program Estimates?

The ACTING CHAIRMAN: I ask the honourable member to resume his seat. I draw the Committee's attention to the fact that the Capital Works line has been dispensed with. I suggest that there is no argument from any member of the Committee. We are presently dealing with the Miscellaneous line, which is \$317 000. The Chair is happy to entertain any questions on the lines referred to on page 171, under 'Minister of Mines and Energy and Minister of Forests', which is \$317 000. If there are questions in relation to policy the Chair is happy to entertain them, but I repeat that I am constrained by the sessional orders.

Mr GROOM: I appreciate the Opposition's attempts to uphold the question that I sought to ask, but I accept your ruling, Sir, that it is not relevant to the line. Therefore, I shall seek to use other processes of the Parliament when it resumes to ask that question at the appropriate time. This should be the end of the matter. We can continue and honour the arrangement that we made to allow the Opposition to put questions, but that must be in accordance with the sessional orders. I suggest that we get on and allow the member for Victoria to ask whatever questions he wishes. He will undoubtedly follow the practices of the Parliament and ensure that they are relevant to the line.

The ACTING CHAIRMAN: Before I call the member for Kavel, the Minister has indicated that he would like to make a statement.

The Hon. J.H.C. Klunder: I regret that we have got ourselves into this situation. I brought the officers of the two areas here to answer questions and we are ready to answer questions. My personal preference is to continue with an open slather approach and to look at the relevance of the sessional orders for the next meeting based on the fact that precedent indicates that in the past we have been able to look at Woods and Forests and Satco activities. It would be an unhappy situation if we could not do that now. On the other hand, if the ruling is that we may not deal with those matters, I am prepared to take on notice any questions that the Opposition may have and report in the standard way by 6 October. However, my preferred position is that we should go on and deal with the questions.

The Hon. E.R. GOLDSWORTHY: On a point of clarification, was discussion on these lines precluded because of the vote taken immediately before dinner? Until this time questions have been freely asked by all members about the budget document. There are some questions that Opposition members wish to ask about matters described in the Program Estimates, including the manufacture of wood based products referred to on page 495. I understood that the vote taken immediately before dinner was to close the vote on Mines and Energy and ETSA. That did not include a vote on Woods and Forests, as I understand it, or did it? Is the reason that we cannot discuss this line now that we have already voted on it?

The ACTING CHAIRMAN: Before the dinner recess the Committee voted on the Department of Mines and Energy,

capital works, \$7 143 million; Mines and Energy, proposed payments, \$22 213 million; and Office of Energy Planning, \$700 000. I am advised that the only other line in the schedule to the Bill is 'Minister of Mines and Energy and Forests, Miscellaneous'. That is the only other line the Chairman has available to him in accordance with the sessional orders laid down by the Parliament.

The Hon. E.R. GOLDSWORTHY: On a point of order, I recall that we had this argument the first year that the Labor Government came to office with the then Chairman, the member for Henley Beach, who sought to rule that we were not allowed to ask questions based on the Program Estimates. I thought that we won that argument some years ago. In fact we did win it. That was an absurd situation. We were given a budget document and were not allowed to ask questions. After a great deal of trauma I thought we sorted it out at that stage. The member for Henley Beach, Mr Ferguson, who was in the Chair, took a line similar to yours, Mr Acting Chairman, that we had to identify a line in the budget document and hang a question on that. However, I thought we had outgrown that some years ago. If so, I find your ruling, from wherever you got the advice, very peculiar. We will not accept the ruling that we cannot ask legitimate questions based on these budget papers which we have been doing every day that these Committees have been sitting this year and, indeed, in past years. This has suddenly bobbed up again and it is similar to the argument that we waged and won years ago.

The ACTING CHAIRMAN: I remind the member for Kavel that the Chairman has not made the sessional orders. I understand that the Program Estimates are an explanation of what is contained in the schedule to the Bill before Parliament. I have ruled that way. If the member for Kavel or any other member of the Committee wishes to disagree with the ruling of the Chairman, he may do so in the prescribed manner.

The Hon. E.R. GOLDSWORTHY: I have no option but to move to disagree with your ruling, because it is patently absurd.

The ACTING CHAIRMAN: Would the honourable member care to bring it up in writing?

The Hon. E.R. GOLDSWORTHY: The practice has long been established. This is a ruse to block legitimate Opposition questioning on an area which is sensitive to the Government.

Mr GROOM: Is the member for Kavel moving against the ruling that the Opposition can ask any irrelevant question? I think that the honourable member is confused. He could ask any question about the Program Estimates provided it is relevant to a line. It has to be relevant only in the slightest degree. I ask for clarification as to what he is moving.

The ACTING CHAIRMAN: I remind the Committee that sessional order (17) provides:

If any objection is taken to a ruling or decision of the Chairman of an Estimates Committee, such objection must be taken at once; and having been stated in writing, the Chairman shall, as soon as practicable, advise the Speaker, who shall give notice that the House is to meet at 9.30a.m. on the next day, provided that the Estimates Committee may continue to meet, but shall not further examine the vote then under consideration.

Given that this is the last vote before the House, we effectively stop now.

Members interjecting:

The ACTING CHAIRMAN: Order! The honourable member for Briggs.

Mr RANN: There has been some confusion. I propose that we have a brief adjournment to sort this out properly in informal discussion.

The ACTING CHAIRMAN: I am happy to do that, if that is what the Committee wants.

[Sitting suspended from 8.22 to 8.26 p.m.]

The ACTING CHAIRMAN: The Chair has taken advice and is quite happy to entertain questions of policy. I will continue the line 'Minister of Mines and Energy and Minister of Forests, Miscellaneous, \$317 000'. I ask the member for Victoria to continue with his questions, and the Chair will assess the questions as they are put before the Committee.

Mr D.S. BAKER: Is the Woods and Forests Department seeking to drain Lake Bonney for log recovery and why is this necessary?

The ACTING CHAIRMAN: I ask the Minister to respond to the question in line with the statement I made about whether this fits within the Miscellaneous line involving national afforestation grants.

The Hon. J.H.C. Klunder: For the sake of peace, I had better establish a connection, which may well be relatively tenuous but which will at least link this.

The ACTING CHAIRMAN: The manner in which the Minister responds to the question is up to him.

The Hon. J.H.C. Klunder: I will give an update on log storage in Lake Bonney to start with. A number of log storage areas were established following the February 1983 fires in the forest plantations. In the South-East there were two types of storage: in the lake and on the land under sprinklers. The only log storage left is some log remaining in Lake Bonney. The Woods and Forests Department has no immediate plans for any lowering of the water level in Lake Bonney.

I understand that the E&WS Department does this on a number of occasions in order to avoid flooding of the surrounding countryside. My informal advice has been that that is proceeding at the moment. It will not proceed to an extent which will lower the lake level enough to enable the efficient and cost-effective recovery of log from the lake, but through monitoring of the water that is coming out and the effects on the nearby ocean it will establish whether or not there will be some deleterious effects on marine life. That result will no doubt be awaited eagerly by the Woods and Forests Department, to see whether that will continue to be a constraint on whether or not the lake level can be lowered any further.

Mr D.S. BAKER: The normal level of the lake is held at 1.75 metres and it is a little higher than that at present, which was caused by the Minister for Environment and Planning not wishing it to be flowing into the sea when she made a visit to the area. How low does the Minister envisage the lake has to be drained below its normal 1.75 metres to enable this log recovery to take place?

Mr Mutton: Obviously, the level of the lake fluctuates from year to year. In past years it has been as high as 1.85 metres above the datum level and as low as a bit below a metre. That change has resulted from periodic releases and normal evaporation from the lake.

The logs that remain in the lake are obviously in slightly deeper water than those that have been recovered from closer to the edge. There would be significant advantages in the level of the lake being reduced below the level that is currently planned under the current release, but down to around .5 of a metre above datum.

Mr D.S. BAKER: What is the estimated quantity of logs left in the lake? How has this figure been calculated?

The Hon. J.H.C. Klunder: An estimated 70 000 cubic metres of logs remain in the lake, but that is not an entirely

accurate figure because it can only be derived from working out how much timber was originally placed in the lake and how much has been recovered.

Mr D.S. BAKER: What was the basis for payments to hauliers carting logs to Lake Bonney after Ash Wednesday? Is the payment for recovery on the same basis as it was for placing the logs in the lake?

Mr Mutton: The prices for delivery and placement of logs in the lake were negotiated on contracts for felling the timber that was burnt during Ash Wednesday and carting it to the lake. That was done by private contractors. The department manages the lake operation, and its costs related to getting the logs into the lake and maintaining the supply of logs in the lake. The costs for felling and hauling were negotiated contract rates, and log deliveries to the mills are again by contract, but a price has been determined for delivery to the mills.

Mr D.S. BAKER: The answer was not clear as to whether the payment was on a per tonne or per metre basis checked into the lake.

Mr Mutton: The log delivered to the lake was measured, so it was on a per cubic metre basis.

Mr GROOM: My question concerns scrimber, and can be connected to the miscellaneous line. Will scrimber be a major user of Woods and Forests Department small logs? If so, when will this occur?

The Hon. J.H.C. Klunder: Members would be aware that the commissioning of the scrimber plant has been in progress for several weeks. Trials have been progressively conducted through the plant as installation of each section has been completed. Commissioning of the final sections, namely, glue application, the lay-up station, the press line and the RF generator, are now in progress. I am pleased to be able to inform the Committee that the first production beam was manufactured yesterday. I will read into the record a letter from Graham Coxon, the Managing Director of Scrimber International, to Mr Higginson, the Chairman of the scrimber board. This brief note will take its place in the history of the timber industry in South Australia. Its subject is: The First Commercial Scrimber Slab. It states:

The management and employees of Scrimber International are very pleased to inform you that, on this day, 20 September 1989, in the Mount Gambier full-scale production facility, *pinus radiata* thinnings were successfully crushed, scrimbed, dyed and reconstituted into the world's first commercially produced scrimber beam.

That date will be quite famous in the history of South Australian timber. Returning to the commissioning process, members would understand that the RF generator has to be cycled up progressively until optimum pressing time is achieved, and engineers will be working closely with suppliers and the appropriate Federal controlling authority to complete this work over the next few weeks.

We now have a working plant that will provide employment for about 75 people in Mount Gambier and will use up to 65 000 cubic metres of log annually from the region. It is also expected to produce revenue from interstate markets approaching \$20 million annually, and significant income from overseas licensing and royalties is also a possibility. This is a very significant project that is about to provide tangible benefits for the people of South Australia. I am sure that the Committee shares my delight in learning that this, the first of many beams, has now been produced at the plant.

Mr D.S. BAKER: How many people were employed checking and weighing logs when the timber was received at Lake Bonney? How many hours did those people work? What documentation took place?

Mr Mutton: I do not have an exact figure in respect of the number of people who were working at Lake Bonney checking and measuring logs. Just to add slightly to the answer that I gave previously, certainly some of those logs were weighed across the weighbridge and a conversion factor was added to ensure that a volume basis of the logs were not going into the lake. Certainly, long hours were worked. There was a level of urgency about being able to store those logs in water to ensure that they were kept sound for the conversion industry—both public and private mills—in the South-East of South Australia. I do not have an exact figure in respect of the number of people who were involved in checking and weighing.

Mr D.S. BAKER: Can that information be provided at a later date? Is it possible to do that or is there no accurate way of checking how many people were involved?

Mr Mutton: Bearing in mind that that activity took place in 1983, it may be that those records are not available. We do not retain detailed records over that length of time. When information reaches a certain age it is kept in summary form and not in the detail required by the member.

Mr D.S. BAKER: How many loads were carted in and out of Lake Bonney by each contractor? What was the weight of each load and the date that the load was delivered or taken away? Were any hauliers prosecuted for overloading during this period when the logs were being placed in the lake? Has the department any reason to question the validity of the assumptions of how many cubic metres are left in the lake?

The Hon. J.H.C. Klunder: I was not the Minister at the time, of course. I can well imagine that at that particular time the overwhelming urgency of people there would have been to save the logs and save the jobs of the people in the South-East. Under those circumstances, I expect people would have taken all the steps necessary in what they were doing and did not have time to sit down and carefully write up the details to make sure that posterity could check on how many trips were taken by how many trucks. We will try with this question—as we have with all the others—to provide as much information as is available.

Mr Mutton: During the peak period we were carting something like 300 loads a day into the lake. I would not—and I do not believe the department would—be privy to information of contractors who may have been stopped and weighed and found to be overloaded. The weights of the loads certainly would have varied depending on where the material came from. In relation to prosecution, that information would not necessarily be available to officers of the department. They were private contractors.

In relation to the volume in the lake, there has to be some level of uncertainty as to the volume that remains, bearing in mind, as the Minister said, the circumstances under which the material was deposited in the lake. The statistics would say that there is up to 70 000 cubic metres of log left in the lake. Until the project is finalised we will not be able to determine the final volume removed. Certainly, a significant volume remains. We have used echo sounders to locate the logs in the lake. Significant numbers remain.

Mr D.S. BAKER: At page 492 of the Program Estimates there is a specific target to utilise the remaining 50 000 cubic metres, approximately, of logs stored in the lake. There is a great concern with regard to the damage that may occur to the fishing industry in the South-East. The industry is worth millions of dollars to the State's income and impacts on the livelihood of thousands of people in the South-East. I believe that it is not worth the risk to drain the lake to obtain an alleged 50 000 cubic metres of

timber when the records, as stated by the Minister and his officers, are at best hazy. Claims have been made in the South-East quite recently—and I have them documented—that there was evidence that some of the people were receiving more money for their loads than the cubic metres actually delivered.

There is evidence that the average of some of the hauliers exceeded their legal limit by some 30 per cent when the payments were worked out. I believe that the Woods and Forests Department should come up with a lot more evidence in respect of the actual amount of wood in the lake before anyone is allowed to drain it to obtain the timber that may be left there. It is common knowledge that the logs spread very widely over the lake during storms and other occurrences—for example, when the boom chains broke. I believe that much of that wood, even if it is there, is not recoverable. I ask the Minister to provide some very hard evidence, and I would want it supported by the check sheets, as to how much wood went in and how much came out. I believe people in the South-East, especially those in the fishing industry, should be up in arms and condemning the department for attempting to drain the lake to obtain an alleged amount of timber.

The Hon. J.H.C. Klunder: The honourable member has now on a number of occasions used the words 'drain the lake'. I must indicate that I object to that terminology. We are not talking about draining the lake. We are talking in terms of lowering it to half a metre below levels where it has been in the past. Apart from that, I think that the honourable member is somewhat premature in his concern. I indicated earlier that we would await the results of current testing by the Engineering and Water Supply Department in respect of the current lowering of the level of the lake.

It would be quite reasonable to wait to see whether the tests do in fact show some danger before we consider whether or not we ought to take the next step of lowering the lake by some small extra amount to recover the logs. Certainly, I would not be prepared to move until such time as I had the results from the E&WS inspections and testing in my possession.

Mr D.S. BAKER: I would like the Minister or his officers to calculate what volume of water is needed to flow from that lake from its present level, which is two metres, down to the level admitted by the Minister and his officers of half a metre, which is the level they wish to reach. I would like the Minister to make public the amount of water that has to flow out of this lake for this alleged amount of timber to be taken from the lake.

Mr Mutton: It is worth noting that the lake has been as low as below a metre above datum in the past. The figure being looked at by the Woods and Forests Department is about half a metre above datum. It is less than half a metre below the level it has been in the past. The volume of water that needs to flow out to get to that point is a calculation which only the E&WS Department is in a position to achieve. Certainly there have been annual lowerings of the lake which have removed in the vicinity of 40 000 megalitres. The E&WS Department would be able to determine the volume of water.

Mr D.S. BAKER: I will not argue with Mr Mutton because he grew up next door to the lake and I grew up not far away. He must admit that, when the level gets down to the alleged one metre, it is caused by evaporation and not by water running out to sea. That occurs at the end of summer, after a long dry period or a drought.

Mr Mutton: I made the point earlier that the level has been lowered for a number of seasons over past years due to a combination of factors—water being released to the

sea and evaporation. It is a combination of those two factors.

The Hon. H. ALLISON: On the same line of questioning, in 1984 a report was brought down by AmdelCare (it came through with 1984 documents, but is undated) for the department relative to the chemical content of logs from Lake Bonney. I note there has been an embargo on the handling of logs at the Nangwarry mill for some time, it having been placed by the Australian Metal Workers Union. I was speaking to a union official only today and he confirmed that the embargo was still on. The AmdelCare report of 1984 was reassuring in that it stated:

1. The Lake Bonney logs contain no exogenous organic chemicals that have been absorbed from being stored in Lake Bonney.
2. The Lake Bonney logs do contain higher levels of a natural degradation product, P cymene, than green logs.
3. There are several areas of concern with regard to exposure to airborne wood dust at the mill.
4. The exposure to alpha and beta pinene in the two identified areas are above the no effect value.
5. The systems of work with respect to dust control are not adequate with respect to the task for which they are designed.

It seems that the embargo has been on for a long while. If the logs from the lake are to be treated, the matter should be settled. Has the Minister a more recent report confirming the earlier findings and, if so, when will it be released so that normal operations can resume and wet log can be processed at the Nangwarry mill? I understand that only dry log has been going through. If wet log is to be retrieved and processed, obviously any subsequent chemical testing will be extremely relevant. I say that in view of the fact that the Minister's colleague the Minister for Environment and Planning wrote to me, reassuringly, on this matter recently.

The Hon. J.H.C. Klunder: It is a long and complex question, so I will ask Mr Mutton to comment.

Mr Mutton: Over the period of lake storage of logs, the Woods and Forests Department has been very responsible in carrying out a range of tests in cooperation and consultation with the relevant trade unions on both lake stored log and log that has been stored under above-ground sprinklers. The latest report to which the honourable member refers—the AmdelCare report—is a recent report, dated March 1989. It was carried out specifically to investigate the concerns of the metal trades unions at the Nangwarry mill. I do not know whether the honourable member is aware that the Australian Timber Workers' Union did not have a concern and certainly its members were more likely to be directly exposed to lake logs.

It became clear from scientific tests done under the care and control of AmdelCare—samples were taken in the presence of trade union representatives—that there were certainly no exogenous organic chemicals found in those logs. We used AmdelCare quite extensively to discuss the issue with union members. Certainly, the unions on site, particularly the metal unions, were quite happy for the lake logs to be cut for the experimental process and for air tests to be done in the mill. It is a recent study, undertaken by a reputable organisation which used other reputable organisations. Results in relation to the sawing of lake log were not seen to be a problem by that organisation.

The Hon. H. ALLISON: Do I understand that my quote was from a 1989 report and not a 1984 report? The report is headed 'Investigation of potential health risks when processing Lake Bonney logs and green logs at Nangwarry saw-mill Executive summary'. It appears to be undated.

Mr Mutton: That is the 1989 report. It was commissioned in March 1989 and we received it in June 1989. We had full consultation with the unions on site in relation to that issue.

The Hon. H. ALLISON: The relevance of that report to the question is immediate. I wondered why the logs were not being processed, if that report was a reassuring one. The only problem I see is that there was a mention of dust and I also assume that, on warm humid days when the moisture from the wet logs is in the atmosphere, there is a chance that whether wet or dry pine logs (since a pine log is, in fact, a chemical factory in its own right), the moisture in the air would carry chemicals which might irritate the workers. The remedy to my mind would be to go back to the Swedish report, to which I also had access and which came in the Swedish publication some 10 years ago; it was said that vast improvements had been made in milling wet and dry logs simply by ventilating the sawmills more adequately.

Modern sawmills tend to be enclosed whereas the old ones were wide open, draughty places, where the chemicals did not hang. Is the next step at Nangwarry simply to improve the ventilation and thus improve worker health and safety in view of the fact that this report refers to the dust factor? I would therefore assume that the ambient moisture would contain chemicals. That would be another factor. These things are likely to irritate workers. What steps is the department taking to rid the mill of any problem of that nature?

The Hon. J.H.C. Klunder: I will refer that question to Mr Mutton.

Mr Mutton: The department has been aware of ventilation issues pretty well from square one, and a lot of work was done in improving ventilation in both Mount Gambier and Nangwarry mills right back in the very early days of cutting water-stored log. That was as a result of work done initially by the E&WS Department through its laboratories. Roger White, Director, Commercial, will expand on that.

Mr White: There has been considerable work, as Mr Mutton said, to improve the ventilation in both the Mount Gambier and the Nangwarry mills during the cutting of the lake-stored log. That work has overcome the objections that were raised at the time and I believe it has been more than adequate in addressing those problems. During re-equipment of the Nangwarry mill, which we are about to undertake, further improvements in ventilation will be incorporated. The Swedish report, to which the Minister referred, probably relates to a problem that is experienced in saw milling in that country as a result of the relatively low temperatures used in the kiln drying of the product.

The temperatures used in Sweden generally are about 30 degrees centigrade and that allows the growth of some fungal spores, which can be an irritant in subsequent processing in the mill. Here, in our mills we have kilns operating at much higher temperatures, generally in the order of 100 degrees centigrade, and tests conducted by the Health Commission have shown that we do not suffer the same problems as have been experienced in Sweden. A number of subsequent tests have been taken, in particular by the South Australian Health Commission, and the commission has concluded that there are no health hazards as a result of those tests.

The Hon. H. ALLISON: Everyone is so reassuring that I wondered why the workers and the unions were still not convinced. There is no wet log being processed and, if everybody is right, the work should be going through the mill; the wet log should be being processed. There was no answer to the original question: when will the work resume? I am reassured that there is no problem. There is no chemical component. The dust problem that I mentioned and the Swedish solution to the ventilation are not really relevant, so there is obviously a hidden agenda which none of us know about but which the Australian Metal Workers

Union seems to be invoking to prevent any work being done.

The Hon. J.H.C. Klunder: I will refer that question to Mr White.

Mr White: The executives of AmdelCare have spoken with our employees, including shop stewards of the Australian Metal Workers Union at the Nangwarry mill. They have been through the report in detail with them. In fairness to our people, they have some difficulty, as many of us do, in understanding all the technical matters contained in the report, and the shop stewards have asked their union for the report to be reviewed by some person nominated by the union to help them interpret it. I have spoken with the Metal Workers Union here in Adelaide and have offered a copy of the report for review. I am waiting to hear back on that matter, but I expect it to be resolved very soon.

Mr D.S. BAKER: The total investment for scrimber is now some \$44.2 million and the original estimate was that it would cost \$12 million and start production in 1987. I note with interest it has been announced that on 20 September 1989 it started I guess not commercial production but trial production at that plant. Does the Minister believe that the tremendous increase in price has affected the viability of the scrimber operation at Mount Gambier and, if not, why not?

The Hon. J.H.C. Klunder: A review of final project costs was completed during the year. The total outlay, as the honourable member has indicated, including development costs, was \$7.8 million, plant and equipment \$35.3 million, working capital \$1.1 million, totalling \$44.2 million, of which one-half is the corporation's contribution. The increase in estimated outlays since that time has been due to price movements and increased scope of work and prolongation claims. A revised cash flow projection indicates that this investment will generate a real after tax rate of return in excess of 10 per cent over a 10 year period. For this purpose, the cost of the plant included interest at the rate of 15 per cent per annum during the construction phase. Of course, that does not include any money that we get from licensing, overseas royalties, overseas turnkey projects or anything of that nature.

Mr D.S. BAKER: What is the estimated production of the mill to 30 June 1990 and from 30 June 1990 to 30 June 1991, and will the mill be at full production by 30 June 1991? I would be quite happy for the Minister to take this question on notice.

The Hon. J.H.C. Klunder: It is estimated that in the period from commissioning to 30 June 1990, 12 000 cubic metres of scrimber will be produced. Any figures of this nature, of course, can be changed considerably and, consequently, I do not want that to be taken as a definitive figure for which I can later be castigated, if it is 11 900 or 12 100 cubic metres or, indeed, if it varies more widely than that. That is the intention. This level of output reflects the lower production expected during the early weeks following commissioning when the plant is being fine tuned. It is hoped there will be output at an annual rate of 45 000 cubic metres sometime during or shortly after February 1990.

The Hon. H. ALLISON: As originally envisaged, it was 15 000, 30 000 or 45 000 cubic metres. So now the full productivity is scheduled for within just a few months of opening.

The Hon. J.H.C. Klunder: Part of the increase in costs—the and the honourable member and I may be talking about slightly different things—was to increase the level of production from the plant. It is worthwhile mentioning that in the first four months we expect only a fairly limited amount of production from the plant, some 2 000 cubic metres, but

that has already been sold. So, the first sale of scrimber has already been made. It is a fairly unusual thing, I understand, in a sunrise industry to sell the product before it is made.

Mr D.S. BAKER: When will commercially saleable product be available? I understood that the first two or three months of production would be a trial period only so that the full commercial price would not be received. At what price per cubic metre would the commercial product come off the production line?

The Hon. J.H.C. Klunder: At this stage the price is still commercially confidential and I must stress that the figures I have given for expected production rates and expected amounts produced are really quite tentative at this stage, because we have not quite finished the commissioning yet.

Mr D.S. BAKER: I find it a little unusual that the Minister states that the production that is coming off the line today is of commercial quality and saleable, yet he will not say how much he is selling it for, because that is commercially confidential. However, he may answer that at some later stage. I note from a document which I quoted some time ago that it was prepared by Mr Neil Goldsmith, who has quite a lot to do with scrimber and who was retained by Repco Research to evaluate the scrimber project as a commercial project and undertook a complete consultancy for another firm in 1988.

That consultancy involved the evaluation of scrimber. His comments are quite interesting, because he estimated that, when he last evaluated in 1983, the cost would be over \$500 a cubic metre, which made it non-competitive with solid timber. However, his 1988 evaluation states that the scrimber product of today as promoted is aimed at structural applications only and has a maximum strength of F17 as of 1988. The Minister may say that that has changed. However, it is not competitive with hardwood species and with laminated timbers. Is the Minister confident that the product produced will be commercially viable bearing in mind the quite dramatic cost escalation?

The Hon. J.H.C. Klunder: I find it difficult to cope with the number of questions asked at the one time. However, in his preface, the honourable member implied that at the moment we were producing scrimber commercially, but that is not true. We have put through one single test beam and I would not want anything I have said to mislead the honourable member in that way. In relation to the competitiveness of scrimber, probably the simplest answer I can provide is that we have already sold some scrimber and that is certainly a test as to its competitiveness.

Mr D.S. BAKER: The Minister has stated on several occasions in Parliament that people in many countries of the world are queuing up to enter into licensing agreements with Satco in the scrimber process. I note also from a document released by Mr Higginson that he became quite irate about some of the comments I made in Parliament about the scrimber process. He stated:

The process has been patented world-wide and we have already received a licence commitment fee from one of the largest timber processors in the United States of America. We are presently negotiating production licence arrangements with them. Also at present, we have a negotiating team in Europe and they have 12 serious expressions of interest from potential licensees. We have also had expressions of interest from Japan, China and other South-East Asian countries. This product has put South Australia at the forefront of timber technology for many years with potential to bring significant licence fee and royalty income to the State. For these reasons, it is totally counter-productive for people like Mr Baker to make ill-informed comments to the media for the sake of political gain.

How many agreements have been entered into as at 30 June 1989; how much money has been raised from those agreements to 30 June 1989; what is the projected income from this source in 1989-90; what is being charged for a licence

fee (and that may be difficult to answer); and how is the price calculated?

The Hon. J.H.C. Klunder: I have again been asked about a dozen questions at once, so it makes it a little difficult to provide an answer. A United States company has already paid us \$50 000 for preliminary know-how. I think today we received advice from a French company that is prepared to sign a secrecy agreement, and that involves \$US50 000. We have run an American log through the pilot plant and discovered that it came through as well as, if not better than, Australian timber. More logs will be processed through the pilot plant when executives from the company concerned are in Australia. There are runs on the board.

The honourable member will have to forgive me if I do not give him chapter and verse on every single approach that we have had. Investors will probably become nervous if they believe that they will be scrutinised in this Parliament. I am sure that the honourable member would not want to do anything that would prejudice the future success of scrimber.

Mr D.S. BAKER: As a supplementary question, I understand what the Minister is saying and I do note it. I gather from his remarks that \$50 000 has been received for licences to 30 June 1989. What is the projected income from this source for the year 1989-90?

The Hon. J.H.C. Klunder: I understand that some budgeted figure has been provided. However, that figure comprises a number of different amounts from different sources including licence fees, revenue from processing materials through the pilot plant and the signing of secrecy agreements. Clearly, there is a large capacity for error in any figure that I might give. It is more likely to be a ballpark than an actual figure, so I would prefer to leave it and say that one would expect to receive several hundreds of thousands of dollars during this financial year from this source. The figure will probably accelerate as the product penetrates the market and becomes better known, and as people in other places become aware of the fact that the product will produce a very handsome rate of return.

Mr D.S. BAKER: I do not want to be pedantic about it and I will not pursue the matter, but the Minister and Mr Higginson have made great claims about the technology and that it will be worth millions of dollars to South Australia. I support that absolutely, but I am a little concerned that, if that is a major part of the scrimber operation (and I believe that it may be more profitable than the operation that produces wood at the Mount Gambier factory), it would be budgeted for accurately in the budget for the next 12 months because, if it is as good as we are being told by the Minister and Mr Higginson, I would have thought that it was an integral part and absolutely essential for the viability of this operation in the next 12 months. I say no more than that.

The Hon. J.H.C. Klunder: I am pleased to note the honourable member's change of heart. It is difficult to budget for amounts that we hope to receive rather than amounts that we are aware we will receive. Perhaps it is due to my natural conservatism in these matters, but I prefer to understate income and overstate expenditure rather than the other way round. The money will arrive. The rate at which it will arrive is difficult to predict. In the circumstances, I am reluctant to give precise figures when I am not in a position to do so.

Mr D.S. BAKER: What is the diameter, maximum and minimum, of roundwood or sawlog that can be used in the production of scrimber and is it being obtained from the Woods and Forests Department?

The Hon. J.H.C. Klunder: The diameter range is 75 to 175 millimetres and the length is 3.6 metres.

Mr D.S. BAKER: Is that being obtained from the Woods and Forests Department? If not, from what other companies is it being obtained?

The Hon. J.H.C. Klunder: I understand that all of it will come through the wood room, and the majority of it is sourced from Woods and Forests or from contracts that the department administers.

Mr D.S. BAKER: I note from documents that I have, which are attributed to Mr Graham Coxon when writing to other proposed suppliers of wood, that he asked for a supply of roundwood from Scrimber International between October 1988 and June 1989. In fact, people were asked to quote for supplies at that time. The log diameter required was of two sizes: 70 to 120 millimetres and 120 to 170 millimetres. I also note from these documents that the maximum that he could take was 180 millimetres.

The Hon. J.H.C. Klunder: The reason for that was that there was an interim supply situation because the wood room was not up and running at that point and supplies were being looked for elsewhere. This was part of the pre-commissioning runs that needed to be undertaken to prove certain parts of the machinery.

Mr D.S. BAKER: I note from an internal memo from some of the companies which were asked to supply, following the Minister's claim in Parliament in the past two years that it is using forest waste, the diameter required from the companies was 70 to 120 millimetres and they said they did not have any of that because it was their treatment material and as regards 120 to 170 millimetres they said they did not have any of that because they were using it for sawlogs. How does that fit with the Minister's claim that the scrimber operation was to use up forest waste or T1 thinnings?

The Hon. J.H.C. Klunder: The honourable member hit the nail on the head with his last comment when he mentioned T1 thinnings. These are required to be taken out of the forest to allow the remaining timber, after further thinning, to grow to a proper size which can be used for normal purposes. They need to be thinned for forest purposes. I understand that generally there is a backlog of thinning. If foresters are forced to thin without having a market, the T1 thinnings become forest waste.

The Hon. H. ALLISON: How assured is the department of 70 to 170 millimetre log? I asked this question several years ago and was told that the department was looking at a reject, scrap log—inferior material. Since that early advice was given, when scrimber was only a \$12 million project, it has come up with a much finer tolerance. It wants 70 to 170 millimetre sawlog and it requires a taper of only 10 millimetres per metre. When I last asked questions about that matter, it was because we were having problems in supplying treated fence posts and fine trellis. Apcel was considering enlarging its operation and therefore needed far more material. Scrimber is far more specific in its requirements.

The Mount Burr mill was on one shift initially and then it went to two. The very timber that we thought was scrap is now good quality sawlog. From what I saw at Mount Burr the timber for scrimber and for the other operations could be converted into scantling. Two or three years down the track, particularly when the Victorian forestry supply falls out, will there be an assured supply for these operations in South Australia? Are we going to have supply problems for these important projects from the point of view not only of the South-East, but of the whole State? In view of the problems that I saw three years ago and was asking

about and which now seem to be crystallising, are we now going to be assured of a good quality small log supply? I can see the small log mill at Mount Burr, for example, being put out of work within two or three years.

The Hon. J.H.C. Klunder: There are a great many questions there. I assure the honourable member that I have been told quite clearly that the material required for this process is T1 thinnings, and I will take the rest of the honourable member's question on notice in order to provide him with a proper reply.

The Hon. H. ALLISON: Do the ultimate operations of the wood room justify the expenditure of such a substantial amount of money as has been budgeted for? I see quite a lot of the operations that I scheduled for the wood room taking place now on the forest floor, because there is mobile equipment to which private enterprise (and, I hope, the Woods and Forests Department) has access, which means that quite a few of the processes now being handled by the wood room could be undertaken on the forest floor, where much of the sorting and double handling would be eliminated. Is the wood room something of a vestigial relic which has been superseded by more mobile equipment which is available for forest floor sorting, or is it an absolute essential?

Mr Mutton: The honourable member was present during meetings of the Public Works Committee in Mount Gambier in relation to the construction of the wood room, which will be finished very shortly at a cost of just over \$4 million. The small diameter issue that the honourable member mentioned earlier is one issue associated with the wood room, certainly after the Ash Wednesday fires, and potential development in the South-East necessitates all the first thinning material to be effectively converted into product.

One of the mechanisms for doing that is to obtain a much higher recovery through an operation such as the wood room than leaving a proportion of the stem on the forest floor, because for each operation you have in the forest it is impractical and inefficient—certainly not cost effective—to cut the full range of product from one particular area. So, you might be cutting pulp wood from one area and lose value added material such as material for timber preservation by having an operation that is only producing pulp wood. Material that is not suitable for pulp wood and is cut and left on the forest floor remains there. It could, in fact, be converted to chip and again put into the pulp and paper process in the South-East. The objective of the wood room is to utilise the whole stem and to utilise material that was otherwise left to waste or inappropriately used as product because of the limited range of products able to be cut at any particular site. The wood room will be a profitable operation for the Woods and Forests Department and will provide material for scrimber, preservation material for timber preservation, small diameter saw log and chip.

The Hon. H. ALLISON: Again on the question of saw log, has the wood treatment plant been closed at any time in the past 18 months or two years—and I do not mean this past three weeks when we have had a specific industrial problem—because of a shortage of this very type of log?

The Hon. J.H.C. Klunder: No.

The Hon. H. ALLISON: Why has the Vacsol treatment plant been inoperative? Has it been because of some chemical problem, some structural or other problem, or is the process too volatile?

Mr White: The operation of the Vacsol plant in Mount Gambier has been discontinued as a result of concern expressed by the Australian Timber Workers' Union about the preservative used, which contained Aldrin. As a result of those concerns, in conjunction with the company from

which the plant had been leased we decided to discontinue treatment, and there has been no further process on site as a result of that decision.

The Hon. H. ALLISON: My next question relates to a number of letters I have written to the Minister for Environment and Planning and to the recent phone-in in the South-East which showed that pollution was the biggest concern. I placed a Question on Notice two or three weeks ago and noticed immediately that it concerned the Nangwarry mill. Any forester would have realised that the area to which I referred was the garages of the Government mill on Lewis Avenue adjacent to the Vacsol plant. I asked whether the practice of discharging creosote (or CCA, as it is now known) was extensive, whether it was discontinued, and whether the watertable in the area was safe. I notice that the area has been sealed. I cannot tell where the sink-hole is; it seems to have had a road put over the top. I would like a reassurance that the water in the area is safe.

The Hon. J.H.C. Klunder: I am informed that, although officers of both departments thoroughly investigated the matter, there was no evidence of creosote (or CCA) having been dumped in that sinkhole.

The Hon. H. ALLISON: The member for Victoria asked how many licences have been allocated for scrimber. I have figures which I understand are commercially confidential and which I undertook not to divulge, but I understand that at least one company has paid royalties. Do I take it that a licence has been signed, or is this only preliminary to a substantial licence being taken up by an overseas concern?

Mr Curtis: As the Minister mentioned earlier, we have received from a United States company a licence commitment fee of \$50 000. Accompanying it was a secrecy agreement. That is associated with a log trial, one of which has been run to date, and a shipment of logs will be processed when the executives of this company are in Australia in the next month or so. No licences have been issued, although, once a licence commitment fee is paid, clearly the party intends to proceed and, given satisfactory evidence, will enter into a full production licence. At this stage we expect to have that licence executed this fiscal year.

Mr D.S. BAKER: Page 493 of the Program Estimates states that the Woods and Forests Department will 'undertake six more country sales trips to provide plants and advice to the rural community'. I entirely support that operation. However, on the official opening day of a new nursery in Kingston, an advertisement appeared in the paper stating that the Woods and Forests Department was to sell its product on the same corner. The lady concerned rang me and was quite upset about it. She said that the Woods and Forests Department did not go to Millicent because of an understanding that it would not compete with the nursery in that town. I wonder whether more communication could take place with the nurseries in country towns to ensure that private enterprise—in this case a new operation—is not adversely affected, especially on their opening day? Which towns in the South-East are visited by the Woods and Forests nursery? Are any missed out and, if so, why?

Mr Mutton: The Woods and Forests Department as part of its nursery operations has, for many years, provided a service to rural areas of this State to primarily provide seedlings where, in general terms, they are not readily available by other means. I do not believe that there is any intent to upset the operations of local nurseries. Certainly, if a Woods and Forests Department truck arrived in a town in the South-East on the opening day of a nursery it would have been an unintentional act. It would be quite clear, I think, that there probably was no knowledge that there was

in fact a nursery located in the township, especially if it was a new nursery. Certainly, the department operates from selected locations based on the demand for services. It is not the department's intention to compete directly with nurseries that are established in particular townships.

Mr D.S. BAKER: My next question relates to discussions with the Beachport council which, for quite a number of years, has serviced a rubbish dump in the small country town of Furner. The Furner area is one of the wettest in the South-East, probably because of the flat land that surrounds one range which runs virtually through the township. It is very difficult for any of the primary producers or those people who live near the village to deposit their rubbish because the water level comes up to at least ground level during winter. In fact, this year it is above ground level.

Discussions have taken place over three years to obtain a suitable site for a rubbish dump. I had discussions with Fred Pfeiffer before he retired, the council and waste management people. The only site that is high enough above the watertable to be safe from the waste management point of view, and to be acceptable to those people living nearby, is within close proximity to the Furner cemetery. The Woods and Forests Department own that land, which was burnt out in the Ash Wednesday fires and has not yet been replanted.

Because it has to go through at least four Government departments and the process is long and very tedious (in fact, the argument has raged for three years), I undertook to have discussions behind the scenes with the Waste Management Commission, the Woods and Forests Department and Environment and Planning in an attempt to speed up the operation. I received a verbal assurance from Fred Pfeiffer that we could probably prevail on the Woods and Forests Department for an area of land which previously may not have been available but, since it had not been replanted, there may be some arrangement we could come to.

I was most concerned when a clerk of the Beachport council sent me a letter some two weeks ago stating that the Woods and Forests Department had looked at it, considered that it was very good pine land and would not sell any of it or allow it to be used by the council as a rubbish dump. That puts us five years behind the eight ball. Will the Minister review the situation, as there is no other area of land high enough off the water table on which the surrounding primary producers can deposit their rubbish? One of the concerns that we and waste management have is that many empty chemical drums are being deposited in farm rubbish dumps. In winter the water comes above ground and the underground water supply could be polluted. Will the Minister pursue the matter with a view to sensible arrangements being made after five years of negotiations?

The Hon. J.H.C. Klunder: I am not aware of the situation, but I will ask Mr Mutton to look at it again.

Mr D.S. BAKER: Thirdly, when will a Director of Woods and Forests be appointed? How many applications have been received? Have any applicants been eliminated already? Have any applicants been interviewed and, if so, how many? Are any of the applicants from outside the Public Service and are any from interstate? Has the Acting Chief Executive Officer, Dennis Mutton, lodged an interest in the position and, if so, does the Minister consider him sufficiently experienced to cope with the pressures and responsibilities of the position?

The Hon. J.H.C. Klunder: I am starting to wonder how much money has changed hands. I will not refer the question to Mr Mutton. I have referred the entire process to Mr Strickland, where it normally belongs. Since then I have not

taken the slightest bit of interest in who has applied for the position nor from where they come. As far as I am concerned, a recommendation will be made to me and I will look at the situation to see whether or not I will accept the recommendation. The process has been in train for some time and I expect that it will not take too much longer. I have no intention of indicating whether or not a certain person has shown an interest in applying for the position. I looked at the names some time ago, but I cannot divulge the names to the honourable member.

The Hon. H. ALLISON: I refer to the laminated veneer lumber manufactured by IPL at Nangwarry. A couple of years ago we asked questions about the amount of stock on hand and the figure was about \$1.5 million. Last year the figure came down to about \$650 000 to 700 000. In the budget document, I note that IPL has assumed profitability. Does that mean that there is a delivery delay for LVL products, or is a substantial amount carried in stock with the delays being specifically for manufactured items.

The Hon. J.H.C. Klunder: I can give the honourable member some information on this. On 30 June 1988, IPL Australia was holding 2 006 cubic metres of LVL stock. In addition, returns of 749 cubic metres were accepted from the Woods and Forests Department. Sales during the year grew quite dramatically. The plant is now operating to full capacity on three shifts, seven days, and it has been necessary to redirect veneer from plywood production into some LVL products in an effort to satisfy demand. These factors have resulted in a stock reduction of more than 1 700 cubic metres over the year: 989 cubic metres of LVL stock was on hand at 30 June 1989, representing approximately six to eight weeks sales at current levels. I must, however, indicate that that is not altogether a true reflection of current demand as, inevitably, some slower moving sizes are accumulated in filling specific orders.

For the most common sizes, we presently have a two to four week lead time in filling orders. The product, as is obvious from those figures, has gained significant market acceptance in the past 12 months, and I believe that the IPL Australia staff should be congratulated on, first, having the foresight and courage to introduce this new technology into our timber industry and, secondly, for the effort they have put into winning the level of market acceptance that the product now has achieved.

The Hon. H. ALLISON: So that I can compare like with like over the past three years to establish a cash flow pattern, what would be the approximate value of the material held in stock at 30 June? We have converted from dollar values in the previous two years to a cubic measurement in June 1989.

The Hon. J.H.C. Klunder: I am told that it represents roughly \$400 000 worth.

Mr D.S. BAKER: The Auditor-General, for the second year in a row, has suggested, when commenting on the quite dismal track record of the South Australian Timber Corporation:

Last year, I suggested the most effective and efficient use of the State's valuable timber resource might be best served by the amalgamation of the Woods and Forests Department and the corporation and the determination of the appropriate corporate structure, financial structure and management for the amalgamated body, and I remain of that view.

Why has not this sound financial move taken place and will the Minister act with haste to implement the Auditor-General's request?

The Hon. J.H.C. Klunder: The Premier has already given an answer to this question before the Estimates Committees, and I do not think I can improve on the quality of that answer.

Mr D.S. BAKER: Did he say he would do it?

The Hon. J.H.C. Klunder: I suggest that the honourable member read the answer. There is no point in my going over it again.

Mr D.S. BAKER: The Auditor-General (page 211) makes some quite pertinent and critical comments on the departure from AAS10 in calculating forest revaluation. I note that he says, in support of his views, that he 'wrote to the Chairman, Public Sector Accounting Standards Board and the Chairman, Accounting Standards Board, in April 1988', which is some 15 or 18 months ago suggesting that 'it might be prudent to review the appropriateness of AAS10 for the forestry industry'. Has that review taken place and what are the views of the department of AAS10?

The Hon. J.H.C. Klunder: I think I can give a bit of a background to this entire question. Valuation based accounting methodology is deemed by the department to be the best available for the unique circumstances of having to account for a renewable forest asset which has a very long production cycle and undergoes physical change during that cycle. A forestry accounting system, I believe, should fairly reflect forests assets, output and performance. This particular method does that. Its main features include an annual revaluation of the forest at market value; all forest expenses incurred in the year are treated as a cost in obtaining the incremental growth in the forest; and any change in forest value in the year represents a gain or loss in that year.

The reported results show, therefore, the change in economic value resulting from the Government's investment in forestry. All details and methodology are fully disclosed in the notes to the departmental accounts where it is clearly identified that the method departs from the Australian Accounting Standard 10 and why the standard is not deemed appropriate to forestry. The Auditor-General has seen fit to qualify the accounts of the department, albeit accepting that there is growing support within the forestry industry for the method used. It is also a commonly held view within the industry that AAS10 is not appropriate to forestry activities.

Because of concern expressed by both the private and public sectors at the Australian Timber Industry Stabilisation Conference held late in 1988 and in other forums about the appropriateness of Australian Accounting Standard AAS10, formal requests have now been made to the professional accounting bodies to review the principles that should apply to accounting for forestry. Submissions for review have also been made by other parties including the Australian Forestry Council.

The Australian Forestry Council accepted my motion that we endorse valuation-based accounting for forestry. As I recall it, it was seconded by the New South Wales Minister, so there is clear cross-Party support for that and the motion was passed unanimously. As I indicated, the membership included Ministers of all major political Parties.

The methodology is commonly used by major forestry companies in New Zealand and now by the State Forest Services in Tasmania (introduced prior to the change in Government) and Queensland. Tasmania has carried out detailed work to identify the change in value of their native forest resources to be able to bring them to account in determining the economic value of forestry to the State.

It is clear that the valuation based method of forestry accounting is gaining wide acceptance. The accounting standards boards have resolved to place a high priority on the issues surrounding accounting for regenerative assets and have compiled a draft project brief and identified an individual to prepare a research paper on the subject. The

boards have also sought nominations from the industry to be part of the project advisory panel.

Mr D.S. BAKER: I note the Minister's answer and I note that he commented that New South Wales has requested that the same method be used and, therefore, that a Government of a different political persuasion agreed with the method. Generally, politicians are not known for their great wealth of financial knowledge and that is often proved. The private industry uses this method (and I believe rightly so) as an asset revaluation reserve. However, private industry does not put that as a cash item or pay dividends on it, as happens here. In fact, one of the reasons why the Woods and Forests Department could not pay its dividends to SAFA was that the majority of its profit came from forest revaluation reserve. Discussions that I have had with the

Auditor-General indicate that he does not mind if it is included, provided that it is not used as cash income.

The Hon. J.H.C. Klunder: That appeared to be a comment rather than a question, but I think that the honourable member will have to live with that slight on the New South Wales Minister. However, the information was circulated beforehand, so that all Ministers' officers were able to peruse it.

The ACTING CHAIRMAN: There being no further questions, I declare the examinations completed. I lay before the Committee a draft report.

Mr GROOM: I move:

That the draft report be the report of the Committee.

Motion carried.

At 10 p.m. the Committee concluded.