

HOUSE OF ASSEMBLY

Wednesday 16 September 1992

ESTIMATES COMMITTEE A

Chairman:

Mr K.C. Hamilton

Members:

Mr S.J. Baker
 Mr M.K. Brindal
 The Hon. Dean Brown
 Mr M.R. De Laine
 Mr C.D.T. McKee
 The Hon. J.P. Trainer

The Committee met at 11 a.m.

The CHAIRMAN: If the Minister undertakes to supply information at a later date, it must be in a form suitable for insertion in *Hansard*, and two copies must be supplied no later than Friday 2 October to the Clerk of the House of Assembly. A flexible approach will be adopted in giving the call for asking questions, based on about three questions per member from alternating sides. Members may also be allowed to ask a brief supplementary question to conclude the line of questioning before switching to the next member. Subject to the convenience of the Committee, a member who is outside the Committee and desires to ask a question will be permitted to ask that question once a line of questioning on an item has been exhausted by the Committee. Indications in advance to the Chairman are necessary.

I remind members of the suspension of Standing Orders that allows for Estimates Committees to ask for explanations on matters relating to Estimates of Receipts and the administration of any statutory authorities. Questions must be based on lines of expenditure and revenue as revealed in the Estimates of Payments and the Estimates of Receipts. Reference may be made to other documents, for example, Program Estimates, the Auditor-General's Report, and so on. Questions are to be directed to the Minister and not to the advisers, but Ministers may refer questions to advisers for a response. I understand there is an agreed program that the State Bank will be dealt with from 11 a.m. until 12.30 p.m., and that the Lotteries Commission will be dealt with from 12.30 p.m. until 1 p.m., SGIC will be dealt with from 2 p.m. until 2.45 p.m., SASFIT from 2.45 p.m. to 3.30 p.m. and SAFA from 3.30 p.m. to 5 p.m. and Treasury from 5 p.m. to 6 p.m.

Treasury, \$15 430 000

Witness:

The Hon. Frank Blevins, Treasurer.

Departmental Advisers:

Mr P. Emery, Under Treasurer, Treasury.
 Mr T. Johnson, Group Managing Director, State Bank of South Australia.
 Mr A. Anastasiades, Chief Financial Officer, State Bank of South Australia.
 Mr R. Schwarz, Assistant Under Treasurer (Revenue and Economics), Treasury.

The Hon. DEAN BROWN: I would like to clarify the point that, although we put those times down on an indicative basis, if for some reason we find that we are not making headway we would obviously want to extend that time. The State Bank and SGIC are the more important issues and then there is SAFA. We will ask for some flexibility as we go through the day.

The CHAIRMAN: The Chair will be flexible, with the concurrence of the majority of members of the Committee. I declare the proposed expenditure open for examination. Does the Leader wish to make an opening statement?

The Hon. DEAN BROWN: No, Mr Chairman.

The Hon. Frank Blevins: Mr Chairman, I would like to make a few opening remarks about the State Bank. The most commonly asked question about the bank situation is will there be another bail-out? This is in the context of use by the media of a figure of \$3 150 million of support to date. The figure of \$3 150 million has been arrived at by adding the following amounts:

- cash support provided to the bank of \$2 300 million;
- an accrual under the indemnity, but not yet paid in cash to the bank, of \$450 million; and
- an amount set aside in the State Bank Restructuring Account of \$400 million.

Under the indemnity, the Government provided cash support of \$2 200 million to the bank in relation to the 1990-91 financial year and a further amount of \$100 million in June 1992. The \$100 million was set aside in August 1991 as a general contingency reserve. Therefore, only \$2 300 million has been provided in cash. The loss of the Group Asset Management Division (GAMD) in the bank in 1991-92 was \$550 million. The \$100 million cash payment was offset against this loss. A further \$450 million of support was also committed to the bank for GAMD by the Treasurer. The amount of \$450 million has been accrued within GAMD after separation from the bank.

GAMD's loss in 1991-92 of \$550 million reflects a number of significant once only provisions relating to non-performing loans and assets. For example, once only provisions included additional provisioning against possible losses of the Myer Centre, and setting aside \$67 million in unallocated provisions in GAMD. While it is expected that GAMD will make a loss in 1992-93, it should be recognised that a significant number of one-off items are reflected in the 1991-92 result, including a significant increase in general provisioning. The \$450 million has not been paid in cash to GAMD.

The Government received advice from the Chairman of the bank that the \$450 million should be accrued, and not paid over in cash, in anticipation of a possible reduction in the capital of the bank. The bank is expected to be in a position to be able to consider a return of capital and to

do so on a basis where it can comfortably meet Reserve Bank of Australia (RBA) capital adequacy requirements. Consequently, the settlement of the \$450 million accrued in GAMD is expected to take place in the context of an overall restructuring of the bank's capital.

The \$400 million set aside in a new account, called the State Bank Restructuring Account, will be available to assist in the funding of an expected loss in GAMD in 1992-93 and of any net adjustment which might arise out of the combination of the settlement of the \$450 million and restructuring of the bank's capital. It is also important to recognise the real progress that has been made by the bank in 1991-92. Major achievements include:

- the core bank's financial position was strengthened, with a doubling of general provisions and lift in capital adequacy to 11.2 per cent, compared with the Reserve Bank's requirement of 8 per cent;
- there has been strong support from South Australian customers. A record \$842 million was lent for housing in 1991-92 (up 20 per cent), retail deposits including term bond were up from \$2.3 billion to \$2.8 billion, personal and home equity loans up 19 per cent to \$140 million;
- the Group Asset Management Division recovered cash of \$633 million from non-performing loans and a further \$424 million converted to performing accounts. However, progress was offset by the addition of new problem loans to the division;
- there has been a sharper focus on South Australian customers. The deposit product range has been simplified and home loans improved. A business banking group has been formed;
- the core bank and GAMD have been separated, improving prospects for both entities and reducing exposure of the core bank to commercial property markets;
- there has been good progress with downsizing. Total assets are down from \$21.6 billion to \$17.1 billion;
- all major group companies have been sold or absorbed by the bank. Ayers Finnis and Beneficial have been integrated with the bank; Day Cutten Pring Dean, Executor Trustee, Oceanic Capital and United Bank have been sold;
- New York and London assets have been reduced by \$400 million to \$1 200 million. Offices have been closed in Hong Kong, Los Angeles and Chicago;
- the new board appointed in early 1991 has been strengthened with the appointment of additional directors;
- prudential controls and credit training programs have been implemented to ensure that the mistakes of the past are not repeated. There has been formal Reserve Bank supervision since August 1991.

Nobody is pretending that the difficulties of the bank will be easily resolved. However, progress is being made and will continue to be made. In this context, the decision to split GAMD from the core bank is particularly important. The Government's overall objective is to achieve as high a return from the bank as possible to offset the support that has been provided. Getting the best performance from the core bank is critical to this. With the split, bank management will be able to concentrate on improving

what is already good performance by the core bank, particularly in the South Australian market.

The other critical component is to minimise losses on impaired assets held within GAMD. Separating GAMD makes it possible to further increase the effort in this area and where appropriate to hold assets for the long term to achieve the best result for the State.

Mr S.J. BAKER: My first question relates to the time frame regarding GAMD and the sale of the non-performing assets. Are we talking about one, two, three, four or five years? When will the Government appoint the board and how many members will it comprise?

The Hon. Frank Blevins: There is no set time frame. The time frame will be set by the market and what buyers there are and at what price. There is no fire sale. The board will be appointed within a very short period—I expect within the next day or so. There will be only three members appointed at this stage.

Mr S.J. BAKER: From which areas will they be drawn?

The Hon. Frank Blevins: The Government will appoint the Chair, one will be appointed from the bank and one from the Attorney-General's Department.

Mr S.J. BAKER: What are the current staff numbers in the Group Asset Management Division (GAMD) and what are the estimated operating costs for 1992-93?

The Hon. Frank Blevins: About 130, but Mr Johnson is better able to provide the fine detail.

Mr Johnson: The overall cost is \$14.7 million as a budget. Its impact on the core bank is a capped amount of \$20 million, so in that \$14 million resides the cost for staff. As the Treasurer said, the number of staff is 130.

Mr S.J. BAKER: In addition to Mr Des Hammond, who was the State Bank manager in New Zealand, what are the names, experience and qualifications of the senior staff of the Group Asset Management Division?

The Hon. Frank Blevins: It depends how far we want to go down the list to nominate who are senior staff, but we will certainly obtain an extensive list.

Mr S.J. BAKER: So, the Minister will supply that information to the Committee?

The Hon. Frank Blevins: Of course.

Mr S.J. BAKER: What is the salary of the chief executive of the Group Asset Management Division, and what is the estimate of revenues to be generated by GAMD in 1992-93? What is the aim for 1992-93?

The Hon. Frank Blevins: The aim would be the best possible result.

Mr S.J. BAKER: That is hardly a satisfactory answer. What is the GAMD budgeting to achieve this year, or does it not have a budget in terms of what it is attempting to achieve in 1992-93?

The Hon. Frank Blevins: Not only is it attempting to achieve something but it will achieve something. It will achieve the best possible result for taxpayers in South Australia. If the honourable member would look forward six months, nine months and up to 12 months and tell us what buyers there will be for certain assets and at what price, I could be more specific but, clearly, he cannot do that and neither can I. If any honourable member wants a separate briefing, individually or collectively as a group, on precisely how the GAMD is working out the 'impaired assets' under its control, I will be very happy to arrange for that.

Mr S.J. BAKER: I ask again: does the GAMD have a budget to which it is working, and what results is it attempting to achieve this year? There must be some direction to the GAMD; I would presume that that direction has been communicated to the acting Treasurer.

The Hon. Frank Blevins: There is no way I can say to the GAMD, 'I want you to produce \$500 million this year' or, 'I want a minimum loss of X number of dollars' or whatever. I could make those statements, I suppose, but they would not mean very much. I am sure the Committee will gain from hearing Mr Anastasiades enlarge upon my answer, and I am sure it will be in the same vein.

Mr Anastasiades: The GAMD was given \$3 billion worth of non-performing assets to manage. Yes, there is a budget in place, and the forecastable elements of that budget are included in that budget, and any accounting would just calculate the cost of carrying the \$3 billion. There are some partly performing assets in that portfolio that will deliver some revenues into the GAMD and then, if nothing else happens, there will be a cost of carrying the non-performing items. However, as Mr Blevins stated, there will be an attempt to sell—probably dispose of profitably—those assets and, depending on how the market fans out, whether the economy is picking up and whether a decision is made to sell some of those assets, there could be a possibility of making profits in that organisation.

Mr McKEE: The State Bank has been provided with a \$2.75 billion indemnity from the State Government. How much of this amount has been used by the bank?

The Hon. Frank Blevins: The amount of \$2.3 billion of the total \$2.75 billion indemnity has been paid to the bank, so the bank has it under its control. However, as at 30 June 1992 only \$720.8 million has actually been used by the bank. It may be useful for the Committee to give a breakdown of that \$720.8 million to indicate how the indemnity has been used to date. The sum of \$210 million was used as a partial crystallisation of Remm losses; crystallisation of bad debts written off, \$255.8 million; settlement of tax liability, Beneficial Finance, \$52.5 million; crystallisation of losses by selling Oceanic, \$84.9 million; loss on sale of Computer Centre Trust, \$16 million; divisionalisation closure costs, \$18.9 million; write-offs on profits previously claimed, Beneficial Finance future income tax benefits, \$38.2 million; slow depreciation rates, \$10.9 million; write-off of goodwill, \$26.6 million; other write-offs—these are principally small investors—\$7 million. That gives a total utilisation of the indemnity of the amounts provided under the \$720.8 million, which leaves an unused balance but still available to the bank, within its control, of \$1 578.8 million.

The Hon. DEAN BROWN: Returning to the first question asked of the Treasurer, in terms of the time frame for the disposing of the sale of non-performing assets in GAMD, I was given an open briefing by the new Chairman of the board and by the Managing Director of the bank and was told that the time frame was likely to be three to five years. The Treasurer now says that there is no specific time frame at all. Does that mean that there has been a radical change in policy by the new Treasurer or is it likely to take three to five years to work through these non-performing loans?

The Hon. Frank Blevins: The answer to the first question is 'No'. There is no radical change in policy. Those experienced in work-outs made an assessment of the time that would be required. I would hope that would be pessimistic and that we could do it earlier. However, if in the interests of maximising the return to the taxpayers of the State it takes even longer, so be it. Every asset will be treated on its merits. What is the optimum return and what is the best time to achieve that optimum return will be the time frame.

The Hon. DEAN BROWN: I appreciate that, but I would like to ask a supplementary question, because it is fine to sit here and say that it is the most optimistic time frame, but we are dealing with the finances of the State; \$3.2 billion has been called in from Government reserves to cover the bank and we deserve some detail in terms of what the likely return will be on the \$3 billion in non-performing loans so that there is some estimate that this Parliament can give to the length of the liability that exists and the time frame in which some return, if any, may be made to the Government and taxpayers.

The Hon. Frank Blevins: In the GAMD, it is a question of minimising losses; it is not a question of returns. The bank has been effectively split, and the core bank is the one that will return profits to the State. I do not think I can add anything further to my answer. Perhaps Mr Johnson or Mr Emery could add something, but I would have thought that, apart from anything else, commonsense would tell you that you do your sums and realise on an asset or minimise losses on 'assets' at the most optimum time. If that is not the case, I am not sure what the Leader is suggesting.

The Hon. DEAN BROWN: Does Mr Johnson want to add to that answer?

The Hon. Frank Blevins: I could certainly ask him to do so if he has anything fresh to add, but I would expect a response in a similar vein.

The Hon. DEAN BROWN: I think it is up to the Deputy Premier as Treasurer to instruct Mr Johnson to respond.

The CHAIRMAN: Order! The Deputy Premier has the floor.

The Hon. DEAN BROWN: I just want the information.

The Hon. Frank Blevins: Whilst these Committees are informal, I did not think that we would have to cope with interjections, but if that is the case so be it. However, I think it must be understood that GAMD is not under the control of the State Bank; it is under the control of the Government. As the Leader has had a briefing from Mr Johnson, I am very happy for him to go through it again.

Mr Johnson: In 1991 the State Bank led the round of provisioning by the banks in the industry, with the most significant provisioning being made by the State Bank, resulting in the indemnity payment of \$2.2 billion in 1990-91. In 1991-92, we conducted a further significant review of our loans and, again, we led most of the banks in the reporting period over that year. The only other bank of significance that has reported is the Commonwealth Bank.

There has been a significant deterioration between 1990-91 and 1991-92 which the State Bank has taken into account in the provisions made at the end of June.

Recovery is an inexact science: we could make a best estimate that we have now quantified the loans and identified their present value with an orderly buyer and an orderly seller, that we have given sufficient time to allow a proper marketing program to be undertaken and that we then expect to be able to find buyers in that period.

The State Bank is not the only organisation—and certainly this is not the only State—with that amount of non-performing loans relative to the bank's asset base; it is certainly higher as a proportion, but the Reserve Bank has reported that there are impaired loans in the banking system of about \$30 billion. So, when we start making forecasts about when a recovery will take place we will have to keep in mind that we are not the only bank seeking to find willing buyers.

So, I think we should be vigilant and continually looking for opportunities to sell those assets in which we feel longer-term recovery is not likely or, in fact, that the businesses could deteriorate. So, that is the response. While it is expected that in three to five years we could see quite a significant reduction—in fact, it may well be that recovery could take place at that time—it is very hard to suggest a finite period of time. All we can say is that the effort should be constant.

The Hon. DEAN BROWN: Earlier, the finance manager of the bank indicated that the budget had been prepared. Can that budget be tabled now or will it be inserted in *Hansard* later?

The Hon. Frank Blevins: I will examine that question.

The Hon. DEAN BROWN: You will examine it?

The Hon. Frank Blevins: That is right.

The Hon. DEAN BROWN: I have just asked whether we can have it tabled.

Mr BRINDAL: On a point of order, Mr Chairman, I understood that the House resolved that the Committee could send for papers. I ask you to rule whether, as the Leader of the Opposition has made a request, it is within the province of the Deputy Premier to deny the Committee its rightful request.

The CHAIRMAN: I will take advice on that and report back to the Committee later.

The Hon. DEAN BROWN: I reiterate my request that the budget for the current year, which was talked about today, be tabled. Those figures are obviously available and I see no reason why this Parliament should not have them. In fact, they are matters directly under the Treasury line—not in the bank—and this Parliament deserves those figures. I ask that they be tabled.

The Hon. Frank Blevins: I do not have much problem with the figures. I am advised that the budget, as it is drawn up, may have confidential information in it that would be illegal for me to give.

The Hon. DEAN BROWN: That is the sort of trash we have been sold for so long in relation to this bank.

The CHAIRMAN: Order! I understand the sensitivity of this particular issue and the need for the Opposition to seek information. I ask that, when the Deputy Premier is giving information to the Committee, the Leader of the Opposition constrains himself, because it does make it difficult for the Chair. The Chair wants to provide the Committee with every opportunity to ask questions. The Deputy Premier.

The Hon. Frank Blevins: I have some restraints on me under the State Bank Act, which has gone through this Parliament, as regards giving details which may breach that Act. I am not prepared to do that; it is as simple as that. I am sure that on reflection the Leader would not wish me to do so. However, quite clearly, I will give Parliament the figures which are available and which are not confidential, and I will be very pleased to do so.

The CHAIRMAN: I understand that it is up to the Deputy Premier whether he provides that information to the Committee. However, I am further advised that, if a resolution were carried by the Committee, it would be an instruction to the Deputy Premier.

Mr BRINDAL: On a point of order, Sir. Are you ruling that, if this Committee resolves to ask for the papers, the Deputy Premier is obliged to produce them? I believe that would be in line with the resolution passed by the House in that the Committee can seek the production of papers.

The CHAIRMAN: As I understand it, the Committee has to order the production of papers by way of resolution.

Mr McKEE: On a point of order, Sir, I point out that one of the Government members is missing.

Mr BRINDAL: That is nothing to do with us.

Mr McKEE: Mr Chairman, is the honourable member in order speaking across the Chamber in this manner? I am putting a simple and correct position.

The Hon. Frank Blevins: I will make a further statement that may help the Committee. In order to avoid being in breach of the Act, information that would tend to identify clients can be grouped, probably under headings, so that it is a total rather than an individual. As I have said, I am very happy to provide that information to the Committee. However, I again repeat that it would be quite wrong, as well as illegal, for me to provide—whether or not it is in the GAMD budget—information on individual clients and how we are working through their accounts.

Some of those accounts in GAMD involve individual businesses that have problems. They are very good and longstanding businesses in this State. We have been very fortunate in that, after working with those customers of the bank, those loans are now performing. I would have thought that it was inappropriate for me to give any information that would tend to identify those businesses. Some of those businesses are working through their problems and some are not. Apart from that being illegal, it would be highly damaging to South Australian businesses. I certainly have no intention of doing either of those things. As much as they can be grouped so as not to identify them, I have stated now I think three times—but I will repeat it—that I am happy to have those figures supplied to the Committee.

The Hon. DEAN BROWN: To clarify that and to finish this point, because I think we have made some significant progress, all we are asking for are the budgets. Of course, budgets do not get down to the specifics of individual companies; they never have. Let us not make an issue of that. We are not asking for information on individual clients of the bank; we are asking for the budgets. That is what we originally asked for. I

appreciate the fact that the Deputy Premier has now agreed to supply that information and I thank him.

I refer now to the transfer of problem assets between the good bank and the bad bank. Although there was a separation from the bad bank and the good bank as of 1 July this year, is it still feasible for non-performing assets to be transferred from the good bank to the bad bank after 1 July this year into the future and, equally, for good performing assets to be transferred from the bad bank to the good bank? I would like to ask a supplementary question following the Deputy Premier's answer.

The Hon. Frank Blevins: I am advised that the answer is, 'Yes.'

The Hon. DEAN BROWN: Supplementary to that, does this still apply to problem assets which are entered into even after 6 February 1991, when the first indemnity was given by the State Bank?

The Hon. Frank Blevins: No.

The Hon. DEAN BROWN: So, there can be no transfer of non-performing assets where those non-performing assets became part of the good bank after 6 February 1991?

The Hon. Frank Blevins: No.

The Hon. DEAN BROWN: Can a copy of the deed of amendment be tabled so that the Opposition can see the amendment?

The Hon. Frank Blevins: Yes.

Mr McKEE: The Deputy Premier probably alluded to this issue in his opening remarks, but I would like a specific answer. Is the bank's share of the South Australian retail market deteriorating?

The Hon. Frank Blevins: I thank the member for Gilles for his question and interest in this matter. Obviously there was a potential for the bank to lose market share in a significant way. The former Treasurer throughout the royal commission is reported as having said that this was one of his principal concerns: that the bank as an entity was not damaged because of these difficulties. I am very pleased to advise the member for Gilles and the Committee that the overall performance of the retail bank has been very positive throughout 1991-92. Market shares in lending and deposit markets have been maintained or raised, interest rate margins have been sustained at relatively high levels, fee income has been increased and direct overhead expenses have been reduced. These broad trends are being continued into 1992-93.

The bank has been successful in a difficult environment to maintain its very large customer base. We estimate that just over a quarter of adult South Australians and around 19 per cent of South Australian small businesses consider the bank as their main financial institution. Around half of all South Australians have at least one account at the bank. The bank's share of household transactions and at-call savings deposits at banks has been held since mid 1991 at around the 30 per cent mark, following a decline from around 40 per cent in early 1990.

Throughout 1991-92 the market share of new owner occupied housing loans averaged around 29 per cent, rising to over 39.5 per cent through the June quarter, with a record \$842 million of loans advanced, including for investment housing purposes and interstate. Through the

September quarter, total home loan lending has averaged just under \$100 million per month. Total home loans outstanding rose from \$1 843 million at the end of June 1991 to \$2 088 million at the end of June 1992—69.6 per cent of total lending. That is a very impressive figure. There are currently 52 000 home loans at the bank.

Personal finance lending market share has increased around 10 percentage points to over 25 per cent of fixed instalment lending in the June quarter, with \$140 million of new loans made in 1991-92. Despite this strong level of lending, equally strong repayments resulted in no net growth in personal finance outstandings throughout 1991-92 which ended the year at \$312 million. I think the Committee will appreciate that that is a very strong result.

I should like to put on record my congratulations to the new board and management of the bank who have worked extremely hard in what we would all agree would be a difficult and at times hostile environment where the bank was under attack—quite wrongly, in my view—in some areas. To have achieved what has been achieved I think demonstrates the capabilities of the new people who are operating the bank and the confidence that the people of South Australia have maintained in the bank. It clearly is a very great institution that holds the regard, affection and respect of a significant number of South Australians.

Mr De LAINE: I should like to ask the Treasurer about the State Bank downsizing. Which subsidiaries of the State Bank were sold in 1991-92 and what was the impact on the bank's financial results?

The Hon. Frank Blevins: I thank the member for Price for his inquiry. It was quite clear, without running through the entire royal commission again, that the bank had outgrown its capabilities; there is no question of that. The reasons are at present under examination, so I will not go into them. However, it was clear that it was necessary to get the bank down to a size that was more manageable and appropriate for essentially a regional bank. The progress has been great and very time consuming, and when I give the figures I am sure the Committee will appreciate those two remarks. During the year 95 separate entities were sold, liquidated or wound up. That is a huge number.

Mr S.J. Baker interjecting:

The Hon. Frank Blevins: I think it is 380, from memory, so there is still a fair way to go. They are staggering numbers. Most of these had no material effect on the results of the State Bank. The major disposals were Oceanic Capital Corporation, Day Cutten Limited, Executor Trustee and United Bank Limited. The sale of these major entities contributed \$21 million to the group result. In addition, provision of \$7 million, made at 30 June 1991 in relation to the disposal of these entities, was reversed. That was also a very pleasing result ahead of the prediction, which only goes to show that it is extraordinarily difficult in these areas to make any predictions. Nevertheless, the size of the bank has contracted considerably. Again, I thank the present Chairman, the board and the management who have done the hard work in getting the bank down to a size that is more relevant to South Australia.

Mr De LAINE: For my second question I refer to page 19 of the Program Estimates. Under the heading '1992-93 Specific Targets/Objectives' reference is made to the implementation of a common cash receipting system. Will the Treasurer explain the system?

The Hon. Frank Blevins: Not as briefly as the Committee would wish, but I am sure that Mr Emery will be able to give those details.

Mr Emery: Mr Chairman, may I suggest that we leave this until the Treasury Department is under examination and give a full reply then, if that is acceptable to the honourable member?

The CHAIRMAN: With the concurrence of the Committee.

Mr De LAINE: For clarification, I understood we were examining pages 15 to 26 of the Program Estimates. Do you want to stick to the State Bank specifically at this stage?

The CHAIRMAN: I understand that there may be some difficulties with the appropriate staff not being present.

Mr De LAINE: Then I will ask a question relating to the Myer Centre. Given that the State Bank, through the Group Asset Management Division, now effectively owns and controls the Myer Centre, could the Treasurer please outline the recent performance of the centre?

The Hon. Frank Blevins: The new professional centre management has been put in place (Burnett Property Group), and we have seen some publicity around that which I thought was very positive. Jones Lang Wootton has been appointed as leasing agents, working in cooperation with the Burnett Property Group. The Myer Centre is being managed with the singular aim of improving its performance over what is anticipated to be an extended length of time with a view to enhancing the centre's long-term value.

The Burnett Property Group is introducing major marketing initiatives and is working with the cooperation of Myer stores. There appears to be a growing acceptance of the centre, which is reflected by the negotiation of 10 new leases in the past three months. That is very pleasing. The centre averages 261 500 people per week through its doors and it achieved a total turnover of \$165 million in the first 12 months. The Burnett Property Group confidently predicts a minimum 5 per cent increase in turnover and patronage in this year. The Myer store has received widespread acclaim and was recently adjudged by the New York magazine *Stores* to be in the top 10 department stores in the world. We are very pleased, because when the proposal was being floated it was agreed by everyone, whether from the Adelaide City Council, the Government or the Opposition, that we were looking for a world class store. Rundle Mall, Adelaide and all of us believed that it was entitled to that.

Clearly, from those who make these decisions internationally, we have achieved that. We look forward to achieving a satisfactory result over a reasonable period of time. I am sure that the return to date has disappointed everyone—nobody is arguing that. That is no longer the issue. There are people in Australia—I could name them, and they are household names, although you, Sir, probably would not want me to (and I am sure the Opposition would not want me to)—whose financial position over the past couple of years has not been as they would have hoped. I refer to major businesses, old businesses, good businesses and businesses which have been around for up to 100 years and which are in a sad and sorry state because of the activities of certain individuals, entrepreneurs and financial institutions.

The important thing in relation to the Myer Centre is to have it under good management. We have that now, and we want to make this asset perform for the people of South Australia. We have a very good chance of doing that, a much better chance of achieving a good result than very many of the entrepreneurs in those businesses that have been torn asunder—wrecked in some cases—by some of these people and some of these financial institutions. We are working towards that. I am sure that the Myer Centre is an asset to this city and will become a financial asset both to the city and to the Government over a period of years.

The CHAIRMAN: The member for Price.

Mr S.J. Baker interjecting:

The CHAIRMAN: The Chair is keeping a good tally. As I indicated to all members, there will be a degree of flexibility. The Leader of the Opposition was given a good go with his opening remarks and his supplementary questions. It is the intention of the Chair to be fair to all concerned. The member for Price.

Mr De LAINE: How many State Bank branches or agencies have been closed around the State in the past year?

The Hon. Frank Blevins: Mr Johnson will be able to answer that question in detail.

Mr Johnson: Only one branch was closed, whilst one was opened and some were relocated. With respect to shop agencies, most were dealt with in the year 1990-91. The impact in the year 1991-92 has been negligible. The net effect is that we still have about 180 branches in the State, and agencies are dealt with on a need for service basis, but they have been comparatively unaffected in the past year.

Mr S.J. BAKER: *Appropo* the Minister's previous statements, are there any bastards in the Chamber?

The Hon. Frank Blevins: I do not know everyone in the Chamber well enough to comment. I take this opportunity to table the 'Deed of Amendment and Acknowledgment' between the Treasurer and the State Bank.

Mr S.J. BAKER: My next question relates to the purchase of Oceanic by the State Bank. The Treasurer has made statements about the crystallised loss being \$84.9 million. According to our records, it was bought in 1988 for \$60 million. How much extra was poured into Oceanic and what was the sale price?

The Hon. Frank Blevins: I will have to take that question on notice. I do not have those details with me, but I will supply a full statement of what has happened relating to Oceanic from its beginning to its end.

Mr S.J. BAKER: As a supplementary question, did the \$84.9 million, which was announced by the Treasurer and presumably about which he has some knowledge, represent the total losses from the point of purchase to the point of sale?

The Hon. Frank Blevins: I will have to take that on notice. My only advice on Oceanic is that that figure in the bank accounts was the crystallised loss. That is my only information. I will provide all the details with regard to Oceanic. We will not necessarily wait for the *Hansard* to be published but will forward them to the honourable member earlier, if that is possible.

Mr S.J. BAKER: I will be pleased to receive the details of the total amount of money spent on Oceanic

and its sale price. When the State Bank announced the sale of the United Building Society in April 1992, it stated that United had traded profitably since its takeover. However, United made a loss of \$NZ18.2 million to September 1990. What the State Bank purchased was not what it actually sold. About \$200 million in liabilities in United were hived off in 1990, and others still have not been sold. What has been the State Bank's overall loss to date from the purchase of United and all associated entities, and what entities are yet to be sold?

The Hon. Frank Blevins: As I understand it, that is one of the specific things that the Auditor-General is inquiring into. Again I will have the question examined and, if there is any useful information that we can give immediately or have inserted in *Hansard*, I undertake to provide that, but it may well be that we will have to wait until the results of the inquiry by the Auditor-General into this and other matters before we have those answers. Mr Johnson may be able to supplement my response.

Mr Johnson: The difficulty in trying to calculate the overall outcome of the United Bank acquisition is that there are still some entities that have been provided for that were part of the umbrella of the United group. They have been separated from United, which was sold as a building society or a bank and acquired effectively by the Bank of Scotland. The entities which are still to be sold but which have been provided for and which were part of the United Bank acquisition in June 1990 are United Life Care, United Realty and United Property.

Those three entities are due for disposal in the next year, provided the price is right but, in principle, the board agreed that we will dispose of them over a period which enables us to get what we think is a reasonable price. So, the full accounting of the acquisition cost, net of the recovery through the sale to the Bank of Scotland, can be arrived at only after we have the recovery of the other three entities through a sale process. As the Treasurer said, the matters of the purchase price and how the assets were subsequently unwound out of the United Bank are being dealt with by the Auditor-General, but the facts are that we sold the United Bank having provided for its entities that were removed. On that basis, we recovered more than the written down value that we had applied to the United Bank in the accounts for June 1991.

Mr S.J. BAKER: I thank the General Manager for that explanation, but the Opposition would be pleased to receive the details with some estimate of what those other entities are worth so that we have a pretty reasonable idea of what the net value or cost of the transaction was, from the point where it was first purchased. I return to the issue of the bank. In a statement of 27 August 1992, the Chairman, Mr Nobby Clark, said:

... relevant regulatory bodies were consulted at length during the development of the new structure (for the good and bad banks). Among those to provide comment were the bank's external auditors, the Auditor-General of South Australia and the Reserve Bank of Australia.

Will the Minister provide the Committee with the comments that were provided to the Chairman and the board on that matter?

The Hon. Frank Blevins: Certainly.

Mr McKEE: Further to the matter of overseas activities, is the State Bank still operating branches on the international market or overseas?

The Hon. Frank Blevins: Yes, but not as many. As I have stated earlier, in 1991-92 offices were closed in Hong Kong, Los Angeles and Chicago, and overseas staff numbers were reduced. The New York corporate loans portfolio decreased by \$A292 million to \$A651 million as at 30 June 1992. In the London portfolio, reduction over the same period was \$A273 million, and that brought the portfolio down to \$A590 million, as a result of asset sales and the elimination of facilities as they matured. So, there has been considerable downsizing (to use the current fashionable word). Further substantial international asset reductions are expected in 1992-93. As I have said and as the Chairman and the Managing Director have also said, the bank is contracting to a more appropriate size. It is a regional bank—it is a very good regional bank—and that is where it will concentrate its activities. We anticipate that we will be able to close the New York branch in June 1994. There is no planned closure date for the branch in London, but it may well be that eventually that branch will also be closed.

Membership:

Mr Heron substituted for the Hon. J.P. Trainer.

The Hon. DEAN BROWN: Earlier today the Minister indicated that the value of the Remm Myer building had been written down to take into account a loss of \$210 million. I know that the building has a current street value of about \$215 million, which leaves a difference of about \$220 million, as it currently sits as an asset on the books of the State Bank of about \$645 million. Where is that extra \$220 million which has not yet been written down likely to come from, and is that likely to lead to further additional bail-outs or calls from the Treasury to support the State Bank?

The Hon. Frank Blevins: I have already stated that, on the information available to us (and that is all we can go on), neither the Leader nor I could walk into the bank tomorrow and be exposed to all the books and be able to foresee what was happening. What we have done, as I have already stated, is to establish a new board under the chairmanship of Nobby Clark, who is amongst the most highly respected bankers in Australia. There is a new Managing Director and management team, and they have gone through the bank extensively.

They have advised us that they do not expect any more of the horrors of the State Bank—all the dreadful revelations that came out periodically after the previous Treasurer was told, 'No, that seems to be about the limit'. We are very pleased about that indeed. So, we have a new board and management team advising the Government with, of course, a great deal more Treasury involvement these days. Our advice is that all the real nasties have been identified and that the provisioning for them has been appropriate, and the Government is not expecting any more shocks. Of course, we have to rely on that advice. As regards the specifics of the Remm Myer provisionings, I would ask Mr Johnson to comment on that.

Mr Johnson: We have been at some pains not to reveal the current written down value of any assets on the State Bank's books and, when those assets have now come under the direction and control of the Treasurer, I guess we know that that responsibility is to be

maintained. Valuations were obtained in 1991, prior to the centre opening in July 1991 and at the half year, that is, in December 1991, and again in August 1992. They were required for the accounts to be signed off. So, those valuations are at hand. The provision amount has been made against the Remm Myer Centre against the individual valuations we hold, and those valuations are based on a long-term hold, because the value of the centre is not just in the cost of the building and land: it is also in the cost of future income derived through the centre's performance as a retail centre.

The cash flows expected from the performance of the centre over the next few years have been discounted back to the present day, because the expectation is that we would not be required to sell the centre now, or in the next year. So, the maturity of the centre as the retail sales grow is part and parcel of the valuation process. It is expected that the valuations that were done in June 1991, the accounts of 1990-91, and the valuations in December 1991 and again in August 1992, which were reflected in the accounts signed off for June 1991-92, are realistic valuations on the basis of an orderly, long-term hold of the centre. The value includes not only the centre's costs written down to expected present-day levels, but the discounted value of future incomes that will flow to the centre over the succeeding years.

The Hon. DEAN BROWN: As a supplementary question, the Myer Remm building in Brisbane is similar to this centre, as I am sure Mr Johnson will agree. It has been sold recently for the sum of \$205 million. He said that a valuation had been done in August 1992 on a long-term hold basis, which means, therefore, that the Government is not applying AAS24 standards in terms of current market value for doing its accounts, which somewhat surprises me, but I appreciate that it is the Government and, therefore, it can get away with things that private industry cannot. Based on that, in doing the valuation of the long-term hold, it would still be obvious what would be the current value if it were put on the market. Is Mr Johnson disputing the fact that if it were to be put on the market today it would have a value of about \$215 million based not only on street valuations but also on valuations of the leases and the sale of an almost identical building in Brisbane?

The Hon. Frank Blevins: It is not on the market today, but to enlarge on Mr Johnson's answer, the Chief Finance Officer of the bank could be of assistance to the Committee and I ask him to enlarge on the position.

Mr Anastasiades: Using accounting standard AASB10 on the group accounts, the '10' relates to valuation purposes. Yes, we have applied the valuation standard of AASB10 and the auditors and we are satisfied that, by applying the valuation standard, the Remm centre value currently sitting on our books satisfies both the requirements of AASB10 and the corporations law 294 (4). Both prerequisites are satisfied in our books.

The Hon. DEAN BROWN: We simply note and record the change in the method of the standards that have applied to that valuation. I refer to the Minister's opening remarks, especially his reference to the expected loss in GAMD in 1992-93. What is that expected loss?

The Hon. Frank Blevins: I stated earlier, at least four times, that I would get that information in a form that does not breach client confidentiality. I said I would look

at that and get back to the Committee with that information.

The Hon. DEAN BROWN: On a point of clarification, in asking what is the expected loss for GAMD in 1992-93, I do not see any need whatever to reveal anything about any individual client. All we are asking for is the total loss in millions of dollar terms without naming any clients whatever. I do not accept the excuse now being put up by the Minister as a possible reason for not giving that information. I repeat the question and ask for an absolute assurance that we can have that figure.

The Hon. Frank Blevins: I find that line of questioning odd. It seems to me that the Opposition only wishes to waste time, because it is probably now the sixth time I have stated that the budget for GAMD will be presented to the Committee prior to 7 October and it will have that detail in it. I cannot see the point of restating the same question, which forces me to restate the same answer—I am advised that it is seven times.

The Hon. DEAN BROWN: I appreciate that the Minister has now given such an undertaking, which he qualified earlier. So far as I understand it \$720 million of the Government's \$2.3 billion indemnity has been utilised. Therefore, why has an extra \$450 million for 1991-92 and a possible \$400 million for 1992-93 been needed? What is the estimated market recovery out of the total assets transferred to GAMD of the \$3 031 million? When all those assets have been realised or worked through, even if it takes three to five years or even longer as the Minister indicated, what does he estimate to be the market recovery from all the non-performing loans?

The Hon. Frank Blevins: There are a couple of points that I ought to make. The Leader said he was pleased that I had now given an assurance about the budget for GAMD. I gave that assurance, I think, at least one hour ago and I have repeated it six times since, to make it a total of seven times. It hardly warrants a remark from the Leader that he is now pleased that I have now given that assurance. I say that just in case anyone follows these things in *Hansard* and was taking the Leader's comments seriously.

As to the question of the time it is going to take to work out all these impaired assets, the Leader in his statement prior to his question commented on the Deputy Premier's saying that it would take longer than five years. Again, anyone reading *Hansard* would see that that is not what I said. However, I will go through it again, but briefly.

The time it will take to work out these assets depends on a whole range of factors: it depends on the property market, on how many buyers are out there; it depends on the availability of finance and the rate of inflation, and a whole range of things. While the people who make a profession out of working through impaired assets, having had a look at the bank and a look at those assets and using their own experience, would say it could take about three to five years, as I stated earlier, we would expect some results far earlier than that. As I said in my opening statement there will be some very successful workouts; indeed, some of those non-performing loans are now performing. In the interests of the taxpayers of this State, if a particular asset had to be held longer than five years—if it were in the interest of taxpayers—we would

do so. If it were in the interest of taxpayers to sell it tomorrow, we would do so. At all times the ultimate criterion is what is in the best interests of the taxpayers when we deal with those loans. I hope that has clarified my earlier statement for the Leader. I will ask the Under Treasurer to respond to his question.

Mr Emery: The Leader's question concerned the relationship between certain figures, the first being the amount of \$2.75 billion which represents, in effect, the accumulated losses of the bank before State Government indemnity payments to the end of June 1992, comprising some losses incurred in 1991 and 1991-92. As the Treasurer has explained, all but \$450 million of that amount has been paid in cash to the bank. Clearly, the major component of that figure, but by no means all of it, represents write-downs in the value of loans made by the bank; in other words, provisions for bad and doubtful debts.

Clearly, as we all know, there is a degree of estimation in that process, and the point needs to be made that the figure of \$700 million, to which the Leader referred, relates to that part of those loans that have been settled one way or another; that is, where repayments have been made, properties have been sold or another form of settlement has taken place. Settlement has not yet taken place with respect to the majority of the bad and doubtful debts, and it is only when settlement has taken place that there will be a final definitive figure for these write-downs.

The Hon. DEAN BROWN: The third part of my question was: what is the estimated market recovery from the total assets of \$3 031 million transferred to the GAMD and what is the original value of the non-performing loans, for which we now have settlement, which required an input of \$720 million?

Mr Emery: I do not have that figure, but I could obtain it. As to the amount of estimated recovery out of the assets that are now in GAMD, as the Treasurer has explained, that will only be revealed over time as loan obligations are met, loans settled or properties sold, and so on. However, in approximate terms, if the provisioning has been of the correct order of magnitude, the recoverable amount should approximate that written down amount of approximately \$3 billion. As I said, time will reveal how precise that figure is, but in approximate terms the recovered amount should be similar to the written down value of those assets.

The CHAIRMAN: The Leader has criticised the Treasurer for not answering questions, but many of his questions are in three, four or five parts, so the Chair has some sympathy with the Treasurer. However, if there is need for clarification or for a supplementary question to be asked, the Chair will allow that.

The Hon. DEAN BROWN: It is well known on the east coast of Australia that at the right price the State Bank of South Australia is for sale. Will the Minister confirm whether that is the case?

The Hon. Frank Blevins: I do not go very often to the east coast of Australia, so I know nothing about those rumours, but the State Bank is certainly not on the market.

The Hon. DEAN BROWN: Could the Minister clarify that answer? Is he saying that, if a very high price was

offered for the State Bank, the State Government would not consider its sale?

The Hon. Frank Blevins: I have nothing further to add; I thought my answer was brief and clear and everything that the Committee could wish for. From here on we are only wasting time.

Mr S.J. BAKER: If the amount of \$450 million, which has not yet been paid, was traded off and never actually paid by the Treasurer and was deducted from the tier one capital of the bank, which is provided by the Treasurer and SAFA and which only amounts to \$663.9 million, would that satisfy the Reserve Bank in terms of capital adequacy?

The Hon. Frank Blevins: Obviously, the bank is now much smaller and a downward adjustment would have to be made as to what the dollar figure is for capital adequacy. However, as I have already stated to the standing committee, the capital adequacy of the bank will be maintained at a level which at least satisfies the Reserve Bank of Australia and which, perhaps for market or presentation purposes, is even above that which the Reserve Bank requires. I will ask Mr Johnson to expand on that general answer, which I think states the principle very clearly.

Mr Johnson: The bank's capital adequacy at the end of June 1991 was 9.2 per cent and at the end of June 1992 it was 11.2 per cent, and that more than satisfied the minimum requirement of 8 per cent which the Reserve Bank has set down. Part of the capital adequacy is obviously related to the risk weighted assets of the bank, and the tier one and tier two capital have to be adjusted in accordance with that. With the continued downsizing of the bank from \$21.7 billion last year, as has already been announced, to \$17.1 billion in June 1992, and with the risk weighting being adjusted with the conversion of 100 per cent risk weighting in terms of the GAMD assets to zero, the bank will progressively through the remainder of 1992-93 make assessments of its capital needs. Obviously, the board will have to make a determination on the recommendation of management as to what it considers to be appropriate capital adequacy and therefore the amount that should be on the bank's balance sheet at the end of June 1993.

No determination has yet been made, but because the bank's capital adequacy is 11.2 per cent, which is well in excess of the 8 per cent minimum, and because of the downsizing expected during the remainder of 1992-93, the bank, through the Chairman, wrote to the Treasurer indicating that it was resting comfortably as far as prospects for the year 1992-93 were concerned, that the \$450 million was not required to be paid at this time, and that it would consider its capital position at the end of June 1993.

Mr S.J. BAKER: In other words, the bank is expecting the \$450 million to be paid by the Treasurer because, if it is used as a deduction against the tier one capital, given the fact that the bank has \$17 billion worth of assets, the net value of its tier one capital would be only \$200 million-odd as against \$17 billion worth of assets. So, can we clarify that the Treasurer is required to pay that \$450 million?

The Hon. Frank Blevins: I ask the Under Treasurer, Mr Emery, to comment on that statement by the member for Mitcham.

Mr Emery: I think this matter has been covered in reasonable detail and with some precision in statements made by the former Premier and the current Deputy Premier. There is no suggestion that the amount of excess capital in the State Bank, if we can call it that, is equal to the amount of \$450 million. That has not been stated and has not been implied. What the Government has said is that, on the advice of the Chairman of the State Bank, it has not to date been necessary to pay in cash the amount of \$450 million. The settlement of that amount will take place, or is expected to take place, in the context of a review of the total capital structure of the bank.

We have at the moment a situation where, as the Deputy Premier and Mr Johnson have explained, the bank is quite rapidly down sizing. The taking out of the GAMD division in itself is a very large matter in that context. The royal commission is looking at, amongst other things, the legislation governing the bank and the capital arrangements pertaining to the bank. It is our expectation that those matters and the matter of the capital adequacy of the bank will be looked at in due course by the Government. It is in that context that the settlement of the \$450 million will take place. To repeat the point I started with: it has not been suggested that the excess capital in the bank is equal to the amount of \$450 million.

Mr S.J. BAKER: The Reserve Bank *Bulletin* reports that in the State Bank's books the liabilities at 30 June 1992 were \$14.546 billion and that they exceeded assets to the tune of \$647 million—the assets being listed at \$13.899 billion. Are there foreign assets in excess of foreign liabilities not recorded on the State Bank's Australian books and, if so, what are they and what are the relevant amounts?

The Hon. Frank Blevins: Mr Johnson will respond to that.

Mr Johnson: I would like to take on notice the exact amount. The Reserve Bank *Bulletin* produced the figures for the domestic assets and liabilities. There are off-shore assets and liabilities. We take in the bank's balance sheet total assets, without going through the process that the Reserve Bank does of being able to look at them both domestically and off-shore. I would be pleased to provide a breakdown showing where those assets are. In fact, we do those in our annual report and accounts. We did that last year and we would expect to do the same for the year 1991-92. Those reports and accounts will be available in one month.

Mr S.J. BAKER: As a supplementary question—and I know that we were given some information in the brief kindly provided by the State Bank—can we have a breakdown of assets in relation to South Australia, interstate and overseas? I understand that that information is readily available. Can it be provided to the Committee now?

Mr Johnson: Not this morning. We have provided a pie chart showing how the assets are allocated off-shore, interstate and in South Australia this year compared with a year ago. Is that the information the honourable member is looking for—year on year?

Mr S.J. BAKER: Yes.

Mr Johnson: There is a chart and we will be able to provide it.

Mr S.J. BAKER: My next question relates to management of the State Bank. What arrangements does the bank have for the selection of senior executives? What process do you follow and has any senior executive previously employed by the Victorian State Bank and who was responsible for negotiating loans with the National Safety Council been recruited by the State Bank of South Australia?

The Hon. Frank Blevins: Mr Johnson would be best qualified to respond to that.

Mr Johnson: I think it is fair to say we are going through a process of down sizing the bank. The number of people employed by the bank has reduced and the number of executives employed by the bank has reduced. We indicate in the bank's reports and accounts those who are paid over a certain amount on a year by year comparison. That will again be the case in the accounts that we will publish in one month. As to whether particular people are employed for a specific purpose, on a contract or otherwise, to carry out a special responsibility either in the bank for a period of one, two or three years ahead, or whether they are recruited as a full-time employee, or whether for that matter that was the case with GAMD, we obviously go through the experience of the bank and its board in what we are requiring.

No-one on a level that appears in the bank's balance sheet reporting where remuneration exceeds \$100 000 or more is recruited or employed by the bank without the board's having full sign off as to the qualities of the person required, the amount they are paid and whether or not we enter into a contract. As to the person who may have been employed elsewhere with an experience which may have related to a problem loan identified by another bank and which we would regard as having had a responsibility attached to that, those factors would have been taken into account. There was no information that was not unknown to us at the time of the recruitment of any employee over the past year that would result in our saying we were not aware at the time.

The Hon. Frank Blevins: Mr Acting Chairman, I would appreciate some advice from the Committee. There was an agreement, about which I am very happy to be reasonably flexible, as to when various agencies would be examined. Instead of having people just hanging around in this open-ended arrangement, I wonder whether you, Mr Acting Chairman, could find out from the Committee when it intends finishing with the State Bank and dealing with the Lotteries Commission or any other line, in all fairness to the entire Committee, as well as officers who have been told to be here for a particular time.

The Hon. DEAN BROWN: As I indicated at the very beginning of today's proceedings, we would hope to finish the State Bank by about 1 p.m., if we can. However, if we need to run over after lunch we will. But, we will try to finish by 1 p.m. if we can, or even earlier.

The ACTING CHAIRMAN (Mr De Laine): The list I have here states that the State Bank will be dealt with until 12.45 p.m., the Lotteries Commission from 12.45 p.m. to 1 p.m. and so on to SGIC and SASFIT. That is the list I am working with unless the Committee decides otherwise.

The Hon. Frank Blevins: I do not mind if we adhere to that. If the Committee wants one, two or three hours

after lunch for the State Bank, I do not mind, but please tell us.

Mr S.J. BAKER: You are wasting time, Treasurer. We are not far off finishing the State Bank's line of questioning.

The ACTING CHAIRMAN: Will the Committee make some decision to guide the Chair?

The Hon. DEAN BROWN: It is up to the Committee to keep asking questions until we have finished, and we will continue to do that. But, let us get on and finish asking the questions.

Mr S.J. BAKER: I have one more question and it is specific. I have heard the Treasurer's statements and I have seen the public release given to the Parliament in relation to the release of information to the telemarketing firm. I would like to know specifically who within the State Bank authorised the release of customer details to the telemarketing firm in Melbourne—the specific person.

The Hon. Frank Blevins: I made a statement to the Parliament about that. It seems to me that the member for Mitcham is on a witch-hunt.

Mr S.J. Baker interjecting:

The Hon. Frank Blevins: Well, you just want to finger someone. The General Manager of the bank, the CEO of the bank, is here and his employees are responsible to him and he is responsible for them. I thought that in my ministerial statement I pointed out that the General Manager had made it clear that when he was made aware of the practice he put a stop to it. I also recall in that statement that it was made clear that other banks did the same thing, and I believe that they should not. I would take a great deal of persuading that the practice was desirable; it seems to me to be highly undesirable, irrespective of the claims made by some companies that they are secure companies and that they handle data on a secure basis. I am not casting any aspersions on them, but I do not believe that data should be given to them, and clearly neither did the General Manager of the bank.

There are also some questions of legality. Again, I remember in that ministerial statement saying that the Crown Solicitor had commented that he thought that parts of the practice were not legal; however, further investigation was taking place. I also concluded that ministerial statement, from memory, by saying that I would report back to the Parliament at the conclusion of the Crown Law inquiry, and I intend to do that. I think that has covered it pretty well. Something may come out of that inquiry, but to name people, individuals, employees of the bank in Parliament I think is quite wrong; it is quite improper and vindictive. After the inquiry has reported to the Attorney-General and the Attorney-General to me, that will be reported to the Parliament. If the member for Mitcham wishes to take it up from there, that is perfectly appropriate; but to state here which officer of the bank gave permission for this to occur I think at this stage is quite unnecessary. The General Manager is here and he can go through it for the member for Mitcham.

Mr Johnson: The practice of the telemarketing business was something that the cards department of the bank took into their minds to carry out. The exercise ceased as of last Monday. The legal advice that was relied upon in carrying out that program was made

available to the Crown Solicitor yesterday, and the Crown Solicitor has been advised of the people involved in the bank who gave approval for the program to take place. We are cooperating fully in helping him to carry out some interviews to report back to the Treasurer. I think it would be appropriate for that process to be completed before proceeding with any further remarks about the people involved.

The CHAIRMAN: Before calling the next question, I understand that during my absence there was a request from the Opposition to continue this line of questioning. It is the opinion of the Chair that the number of questions that have been asked by the Opposition have been pretty well catered for by the Committee. However, I believe that we can continue the questioning until 1 o'clock and continue from 2 o'clock on those other matters that were basically agreed prior to the sitting of the Committee. It is the opinion of the Chair that from 2 o'clock onwards we can take questions on the Lotteries Commission, SGIC, SAFA and so on.

The Hon. DEAN BROWN: Mr Chairman, I think that is in the hands of the Committee. We have said that we will try to get through as quickly as possible, and we ask for some flexibility. We are getting close to the end, but if this is an attempt to guillotine—

Mr S.J. BAKER: We are not far off finishing. We had the Minister and now we have the Chairman.

The CHAIRMAN: Order! The Chair is not prepared to enter into a dialogue with two members of the Opposition. I will take one question at a time. The Chair is in the hands of the Committee. I have indicated the opinion of the Chair. However, if the Committee, or any member of the Committee, wants to test the feeling of the Committee, it is in their hands so to do. The Leader of the Opposition.

The Hon. DEAN BROWN: Let us get on with the questioning.

Mr BRINDAL: Will the Treasurer give a categorical assurance to the Committee that the annual reports of the State Bank will contain a detailed list of those people who have been employed by the State Bank under contract in the past 12 months and the nature of their contracts and also any consultancies engaged in by the State Bank in the past 12 months and the nature of those consultancies; and, if that is not to be included in the annual report, will the Treasurer undertake to provide such information to the Committee?

The Hon. Frank Blevins: As I understand it, there are some corporate laws that require certain disclosures. I am not sure whether the State Bank is subject to those laws or not. Nevertheless, I understand that the annual report is in a form that would be acceptable to all the appropriate authorities. I suppose I can give a categorical assurance that whatever is the appropriate and lawful format will be adhered to. I am not sure that an annual report is the place to list consultancies; I should not have thought that it was. Nevertheless, we should not forget that at the end of a consultancy is a business person who is dealing with the State Bank in good faith on the basis that their business will be confidential.

Therefore, it is not the State Bank that is necessarily being embarrassed if it is felt that consultancies are embarrassing; it is somebody at the other end of that—ordinary, decent South Australian business

people—whose business the Opposition wants to bring into the public domain. I think that members should think very carefully before they do that, because that will damage many people in this State. However, I will examine the question and see whether there is anything that ought to be included in the annual report that is not in the annual report on the basis that I believe that as much information as is proper ought to be given to Parliament.

Mr BRINDAL: My next question is quite specific. I have in my possession a State Bank passbook and statement of account. The account was opened in 1988 with a deposit of \$5, and a further \$10 was added in December 1988. Since then the State Bank has credited it with \$1.64 interest. However, the balance of the account has effectively been halved to \$8.64 as a result of a monthly accounting fee of \$1, which has been imposed since December 1991. What is more, the customer received advice on the imposition of the accounting fee only a month ago when asking for a statement of the account. Will the Treasurer, or somebody from the bank, explain the basis of the monthly accounting fee, whether it is now imposed on all passbook accounts and how much revenue it is expected to generate this year?

The Hon. Frank Blevins: When I made a perfectly reasonable statement a moment ago about what time this questioning would conclude, I was accused of wasting time. I do not think there has been a more serious issue in this State over the past 12 months at least than the State Bank issue. For a member in the Estimates Committee to ask a question about a \$5 account, requesting that I investigate how these accounts are dealt with, I think is trivialising the Committee. If wasting time is the order of the day, this would have to be the greatest time waster of all time. I would have thought that a simple telephone call from any member of Parliament to the bank to make an inquiry would bring about the desired result rather than members wasting the time of the Committee asking me to investigate this particular \$5 account. I am not saying that the \$5 account is unimportant. Obviously, to the person concerned—

Mr S.J. Baker interjecting:

The CHAIRMAN: Order! The member for Mitcham will come to order.

The Hon. Frank Blevins: —the \$5 account is important, but the machinery for dealing with a query on that account I would not have thought was Parliament. The short answer to the question whether I will inquire into it is that I will have the *Hansard* examined and, if there is anything that I feel I can do to get the information for the member for Hayward, I will, but can I please suggest that he just ring the bank?

Mr BRINDAL: I do not believe it is the province of the Treasurer to decide what questions may or may not be asked in this Committee, and I ask you, Sir, to instruct him accordingly. For my own part, I represent ordinary people, as you do, Sir, and the loss of money may seem trivial to the Premier compared with the amount that he has managed to lose this State, but it is certainly not trivial to people who are losing the money. I remind the Treasurer, through you, Sir, that the question I asked was, 'How much revenue would be received by the State Bank in respect of what I describe as usurious charges on little old ladies, and how much money will be generated in

revenue?' That is a legitimate question in this Committee: I ask it again and I ask you, Mr Chairman, to direct the Treasurer to answer it.

The Hon. Frank Blevins: I thought I was very clear, but evidently not. I stated quite clearly, I thought, that this account was important to the individual concerned.

Mr S.J. Baker interjecting:

The CHAIRMAN: Order!

The Hon. Frank Blevins: As I said, I will have the question examined and see what we can do about identifying this particular charge. When we turn the Committee into a bit of a circus, as the member for Hayward is doing, at times I do despair. However, as I have stated, I will have the question examined and, if the member for Hayward wishes to take up the time of the Committee with questions such as this, he is entitled to do so. When there was some criticism that time was being wasted, I would have thought it was perfectly proper for me to point out that, given the difficulties we have had with the State Bank over the past 12 months, perhaps this question could have been dealt with in another forum. However, if the Committee wishes to go until 6 o'clock with these types of questions, I can assure members that I will be here, Mr Johnson will be here and all the other officers will be here, and we will deal with them as best we can.

The Hon. DEAN BROWN: With respect to page 13 of the budget speech, regarding the State Bank, the then Treasurer set out two options: one was to have a fire sale, and the other was to split the bank into a good bank and a bad bank. He then went on to say that he was adopting the second course. That infers there is no fire sale at all. Will the Treasurer confirm that basically the bank's proposal at present is to hold all assets and wait until the property market has increased before having asset sales? It is fair to say—and I know it is known to the bank as well—that, on predictions at present, the property market has not even bottomed out. Therefore, it would make sense to hold those properties and sell them at a later date, in perhaps two or three years. Will the Treasurer confirm that that is the policy of the bank?

The Hon. Frank Blevins: Again, I thought I had answered this a couple of times. The philosophy behind the work out is nothing novel. I am sure it is fairly standard procedure. It will be calculated that it is better to quit some assets quickly because, first, we might have a willing buyer and, secondly, the holding costs might be too great and it is just not worth it, as we cannot see any return on that asset. Other assets will suggest a different way of dealing with them. As I said, every asset in the GAMD will be treated on its merits. The bottom line criteria will be to realise as much on those assets as possible for the benefit of the taxpayers of South Australia or, more accurately, to minimise the damage to the taxpayers of South Australia. I have said that twice; that is the third time. I am not quite sure what I can add to make it any clearer for the Leader.

The Hon. DEAN BROWN: With respect to property sales, there are four properties to be sold by auction in Queensland in October. That fact has been widely advertised throughout Queensland and other areas, so asset sales—and one would assume on the property market even a fire sale—are proceeding. Will the Government give an assurance that those non-performing

assets that are for sale by auction will not be sold to interests associated with the parties that caused the original non-performing loans to be established? In other words, we understand that there could be certain parties who are interested in buying those non-performing assets at auction who could be directly related to the parties who got the bank and the taxpayers in this State into that trouble originally.

The Hon. Frank Blevins: The GAMD is subject to scrutiny by the Auditor-General. I am quite sure that the Auditor-General will ensure, if it were necessary, that taxpayers' funds were protected to the greatest possible extent. I think that precludes a so-called fire sale. There is no fire sale but, as has already happened over the past 12 months, we have been able to realise on some assets. Some businesses have been sold completely, and some of the non-performing loans are now performing, so they all have to be taken on their merits. People employed in that area have those particular skills. Again, I can offer any member of the Committee or any grouping of Parliament a full briefing from the people who are working out some of these non-performing loans or impaired assets, just to satisfy members that there is no fire sale. Nothing will be done which is to the detriment of the taxpayers or which further disadvantages the taxpayers more than they have been already.

The Hon. DEAN BROWN: The State Bank increased its total group assets from \$15 billion to \$23.9 billion between July 1989 and October 1990, during a period of both high interest rates and declining property market, and when other major Australian banks were also slowing down their growth rates. What assets are currently non-performing loans or problem loans arising from that period when the growth of \$8.9 billion occurred within the bank, and what are the expected losses that will result from that additional rapid growth, the non-performing loans that developed out of it and the ultimate sale of those assets?

The Hon. Frank Blevins: I do not have those figures in front of me, but I will get them and supply them to the Committee if they are immediately available.

[Sitting suspended from 1.2 to 2.2 p.m.]

Additional Departmental Advisers:

Mr J. Hill, Deputy Under Treasurer.

Mr L. Fioravanti, General Manager, Lotteries Commission of South Australia.

Membership:

Mr Quirke substituted for Mr McKee.

Mr S.J. BAKER: What is the projected fall-off in lottery sales to the Lotteries Commission as a result of the introduction of poker machines?

The Hon. Frank Blevins: I am advised it is highly unlikely that there will be any poker machines before the end of this financial year, so it is unlikely to affect the Lotteries Commission during the period of the estimates that are under discussion. However, I am very pleased for Mr Fioravanti to expand or to speculate as to the future.

Mr Fioravanti: As far as our projected sales this financial year are concerned, we have made no allowance for any reduction in turnover whatsoever. Regarding the

future, a magazine which I get every month, the *Wagering and Gaming Magazine*, stated that the South Dakota lottery, which runs video lottery terminals, has experienced an impact on instant lottery sales of 36 per cent since they were introduced in 1989, and that the Oregon State Lottery, which has introduced video lottery terminals as recently as February this year, claims that instant lottery sales have fallen by 20 to 25 per cent and Club Keno by about 30 per cent.

Mr S.J. BAKER: So, the impact is quite dramatic. Is it expected that X-lotto will be affected?

Mr Fioravanti: I do not believe so. From the information I have, we do not have any feedback in that regard, but I do not expect it will have any real impact on X-lotto sales.

Mr S.J. BAKER: How many consultancies relating to the introduction of poker machines were commissioned by the Lotteries Commission; what was the cost of each consultancy; who, and which firms, undertook them; and will the reports be provided to Parliament? Let us start with the first two: how many consultancies were commissioned, and what was the cost?

The Hon. Frank Blevins: I believe that a reply to a question on notice listed the names of the companies that have been involved in consultancies. If I understand the member for Mitcham's question correctly, he wants to know who are the individuals or the principals of those companies and, from memory, what they were paid, what they did and when the written and verbal reports will be made available to the Parliament.

Mr S.J. BAKER: That was basically the question.

The Hon. Frank Blevins: I do not know whether Mr Fioravanti can give any top of the head response to that, but I undertake to ask the Lotteries Commission to provide the Committee with those details by 7 October. I ask the General Manager to expand.

Mr Fioravanti: Only one consultant was engaged specifically to deal with the public relations aspect of coin operated gaming machines, and I must say that the input from the public relations side was fairly minimal. We also had another consultant—the DMR group—and we had some input from that organisation, but that was fairly minimal as well. That group was involved mainly in the preparation of a computing strategic plan and project management services, but the involvement was fairly minimal. Most of the involvement came from within the Lotteries Commission staff itself. From memory, I do not believe that the cost of public relations services would have amounted to \$20 000; it would be under \$20 000, but I am citing that figure from memory at the moment.

The Hon. Frank Blevins: Did the request relate to just consultancies to do with poker machines or to consultancies to do with the Lotteries Commission for the whole 12 months in all areas?

Mr S.J. BAKER: We were interested in poker machines specifically. There is a general question on the consultancies throughout the Public Service. As an allied question, was Mick Young involved in any of those consultancies?

The Hon. Frank Blevins: Not to my knowledge but, given that I assumed responsibility for the Lotteries Commission only about 10 days or so ago, I really could

not say. Mr Fioravanti might have a closer knowledge of the proceedings over the past 12 months.

Mr Fioravanti: The answer to that question is definitely 'No.'

Mr S.J. BAKER: I have one other question relating to the Lotteries Commission and the Casino Supervisory Authority. The Minister said he could answer the question. In May, a question was asked in Parliament about a conflict of interest involving the role played by Genting. Has the authority completed an investigation into this matter and, if so, what is the outcome?

The Hon. Frank Blevins: The Casino Supervisory Authority has completed its investigation. Some follow-up discussions are continuing with the owners and operators of the Casino. I expect to be in a position no later than when the Parliament resumes to give a full report to the Parliament in response to the questions of the member for Mitcham some months ago as well as the questions that have been asked today. So, a very full report will be given to the Parliament on that.

Mr QUIRKE: My understanding of the Minister's answer about the impact of coin operated gaming machines is that it is unlikely to have any impact this year because the machines are unlikely to come into operation in this financial year. Has the commission looked at the impact of gaming machines in Victoria and Queensland on allied operations, instead of the United States?

The Hon. Frank Blevins: I am not sure and I can only go on what I have read in the newspapers. From memory, the reports suggest that the impact has been minimal, but the General Manager may have a better idea of the impact in Queensland and Victoria.

Mr Fioravanti: I have not undertaken any research at this stage. It is too early to judge the impact that it may have had in Victoria. As to Queensland, the information provided to me from the Director of the State Lottery is that he feels it had some impact on Queensland Lotto, but my latest information in respect of instant money is that it may have fallen from about \$5 million a week to \$4 million a week. I have not been able to research it closely. I need time to do that.

Mr QUIRKE: Can the commission tell the Committee how much its campaign cost to obtain control of poker machines in South Australia?

The Hon. Frank Blevins: I will ask the General Manager to respond, for the reason that I gave in my response to a previous question.

Mr Fioravanti: I did not hear the question.

Mr QUIRKE: How much did you spend to get control of gaming machines in South Australia?

Mr Fioravanti: In terms of dollars and cents, it was fairly minimal. In terms of staff resources, including myself, it involved considerable effort. I am not able to put it into dollars and cents, but I do not believe it would amount to a significant sum at all.

The CHAIRMAN: The Chair would like to know. Would you undertake an exercise to determine exactly what that amount may be?

The Hon. Frank Blevins: Yes.

Mr QUIRKE: One way or another, either through a question on notice or through the Social Development Committee, which I understand has carriage of these matters, we will get to the bottom of exactly how much

was spent in that endeavour. Exactly what staff resources were allocated to that exercise? That question can be taken on notice in order to provide a proper and reasoned response with details. Who came up with the idea of getting staff members to organise the letter writing campaign to members of Parliament?

The Hon. Frank Blevins: I have no knowledge of such matters and I will ask the General Manager to respond.

Mr Fioravanti: I can categorically say that I had absolutely no involvement whatsoever with the staff coming up with that letter. It was of their own volition. They chose to do that themselves. It was incumbent on me to advise them of what was happening because, as General Manager of the commission, I had to do that. We have a consultative committee and, as I said, these matters were discussed with it. It was purely of their own volition and I had no involvement. I did not give any blessing to it at all.

Mr QUIRKE: Can the Minister provide the names of the people on the consultative committee? Were these activities undertaken during commission working hours? Did it involve the use of commission materials? The materials I received were produced on a word processor and those received by other members were also produced that way and it would be unlikely that one staff member would have done all this out of hours in his or her own time.

The Hon. Frank Blevins: As to the supplying of names. I would have some reservations about that in respect of employees. As to senior management, the question should perhaps be responded to but I am a little reluctant although obviously, if pressed, I will do so. I would be reluctant to ascertain and make public the names of employees involved in such activities. Perhaps the response to the question can be given, if insisted upon, privately rather than being printed in *Hansard*, apart from senior management.

Mr QUIRKE: I have no problem with that, but I would like the remainder of the question responded to—

Mr BRINDAL: On a point of order, Mr Chairman, can the Deputy Premier give an answer privately? If a question is asked in the Committee—

The Hon. Frank Blevins: I said that I would provide it and I said I would rather not make the names public and I would appreciate if it was not insisted upon. If it was, obviously, I would comply.

The CHAIRMAN: Order! I cannot hear the member for Playford.

Mr QUIRKE: I am not insisting on that part of the answer. I would be happy to see which members of senior management were involved in the exercise. I would like the other two parts of the question answered. The first part involved staff of the commission being involved in this project during working hours. I am referring to the staff project to ensure the commission obtained the only licence for gaming machines. Was commission equipment used in the production of material sent to members? I doubt whether any one person would have had the sophisticated equipment to produce the letter sent to myself and other members.

The Hon. Frank Blevins: I will see that the commission examines the question and gives a complete answer.

The CHAIRMAN: Can the Deputy Premier also advise the Committee whether the information was sent out with the knowledge and support of the commission?

The Hon. Frank Blevins: As I was not the Minister at the time, I cannot answer that, but maybe the General Manager can.

Mr Fioravanti: I would say that the commission was not aware of the letter going out. We will take that on notice.

Mr QUIRKE: The General Manager may not have known the letters were going out but he responded very quickly. In fact, I know that within 36 hours he had responded to at least three members who had responded to those supposed staff letters.

The Hon. Frank Blevins: As I was not Minister at the time, I can only ask the General Manager to respond to the member for Playford's question.

Mr Fioravanti: I am not sure to which responses the member is referring. If he could provide specific details I will address those responses.

The Hon. Frank Blevins: I can assure the Committee that tomorrow these questions will be sent to the General Manager for his careful perusal and considered response.

Mr BRINDAL: Mr Chairman, I ask you to rule on the original question asked by the member for Playford. I understand that the honourable member asked how much it cost the Lotteries Commission to get control. It is my understanding that a Bill was passed by this House and that the House took responsibility for oversight of this matter. I ask you, Sir, to examine the question carefully, as I suspect that it contained some implication of coercion of the House, because how could the Lotteries Commission have gained control of something that is the province of the House?

Mr QUIRKE: The question I asked was: how much was spent by the Lotteries Commission in its endeavours to obtain control of poker machines in South Australia?

The CHAIRMAN: Order! The Deputy Premier has indicated that he will respond to the questions that have been asked by members of the Committee.

Mr BRINDAL: What is the value per year of the Lotteries Commission's insurance?

Mr Fioravanti: The premiums cost \$307 938.

Mr BRINDAL: Does the General Manager have any knowledge of who handles the Lotteries Commission's insurance and how it is handled?

Mr Fioravanti: The brokers are De Conno & Blanco and the insurance is taken out through SGIC.

Mr BRINDAL: Will the Lotteries Commission make available to this Committee any correspondence between the commission and the Auditor-General about its insurance and, if not, why not?

The Hon. Frank Blevins: I am reluctant to release the Auditor-General's material without his permission but, with that qualification, any material that is available and ought properly to be put before the Committee will be.

Mr BRINDAL: During the debate in this House on the Gaming Machines Bill I asked questions concerning property. Has that matter been resolved and, if so, what was the outcome?

The Hon. Frank Blevins: I cannot remember what the honourable member's questions were about.

Mr BRINDAL: They concerned an allegation of conflict of interest in connection with the purchase of

certain property. I believe the matter was being investigated, but I have not heard of the final outcome. Has there been an outcome and, if so, what is it?

Mr Fioravanti: The Auditor-General conducted an inquiry to ascertain whether there was any impropriety or conflict of interest. There was no doubt in my mind that the conflict of interest situations had been addressed and there was no question of impropriety as far as I personally was concerned. The matter has been resolved to the satisfaction of all parties, including the Auditor-General; so, at this point, the matter is closed.

Mr HERON: The Lotteries Commission handles Saturday X-Lotto, Wednesday X-Lotto extras, Super 66, the Pools, Club Keno and Instant Money games. Are all those games still viable or has there been a big drop-off in one of them, for example, Keno or the Pools, and will the Lotteries Commission continue with all the games it now handles?

Mr Fioravanti: All games with the exception of the Pools are viable. We are making a small return from the Pools, but we are investigating the possibility of changing that game to another sports based lottery as probably an Australia-wide block, but we are definitely investigating the potential for an alternative game to the Pools.

The Hon. DEAN BROWN: A question was asked earlier about the Casino Supervisory Authority. Has the Minister received a report concerning the allegation of conflict of interest involving Genting?

The Hon. Frank Blevins: Yes.

The Hon. DEAN BROWN: Will the Minister make the full report public?

The Hon. Frank Blevins: Yes.

The Hon. DEAN BROWN: Will he indicate whether there has been a conflict of interest?

The Hon. Frank Blevins: The Casino Supervisory Authority has written the report, which I will make available to Parliament when it resumes, and it can speak for itself.

The Hon. DEAN BROWN: Are ongoing investigations involved?

The Hon. Frank Blevins: They are not so much investigations as discussions with the various parties as to how appropriate the current arrangements are and whether in light of the history of the operation of the Casino over the past few years those arrangements are now appropriate. The Casino Supervisory Authority is engaged in discussions at the moment with the owners and operators of the Casino. According to the Chair of the Casino Supervisory Authority, those discussions will be completed fairly soon. I would expect that when Parliament resumes the report and the action taken on the report will be put before it.

The Hon. DEAN BROWN: Is there any reason why this Committee—given that we are considering the allocation of funds—should not have those details now? I would be happy if the information were provided later this afternoon if that report could be tabled now.

The Hon. Frank Blevins: I think it is much more appropriate that it be tabled in Parliament, because I expect that by that time the issue will be nicely rounded off.

The Hon. DEAN BROWN: In tabling the report in Parliament, will the Treasurer be outlining what action he has taken to rectify the conflicts of interest?

The Hon. Frank Blevins: I did not say there were any conflicts of interest. I said that the report will speak for itself.

The Hon. DEAN BROWN: One would assume that, if action is being taken and if we are going to get a report on what action has been taken, it has been taken for some specific reason. The original investigation related to conflicts of interest. I thought it was a natural assumption.

The Hon. Frank Blevins: I cannot be held responsible for the Leader's assumptions. All I can restate, very briefly, is that certain arrangements were in place and were appropriate when the Casino first opened. Whether those arrangements are still appropriate is a matter for discussion between the Casino Supervisory Authority and the owners and operators of the Casino.

The Hon. DEAN BROWN: I now wish to ask a more general question about the return on the Casino's operations, because indirectly it impacts upon the ASER Investment Trust and then, indirectly, through to the ASER Property Trust and, again, indirectly through that back to SASFIT. So, given that we are dealing with the Casino, has the Treasurer had a report on the potential impact of the introduction of poker machines or gaming machines in hotels on the profitability of the Casino? Is it expected that the low level of profitability is likely to continue as a result of the introduction of those gaming machines?

The Hon. Frank Blevins: I cannot say whether the level of profitability of the Casino is high or low; that is fairly subjective. I should imagine that trading at the Casino is the same as it is everywhere else—pretty tough at the moment. As regards my having received a report, no, I have not. I believe that when the gaming machines legislation was before the Parliament I stated that representatives from SASFIT had been to see me, pointing out that the introduction of poker machines could have some effect on the Casino.

I cannot remember precisely what I said to them, which was pretty much what I stated in Parliament during the debate; that is, if that is the case, so be it. The Casino has had a monopoly in a number of areas for quite a while, and the fact that it has had a monopoly on video gaming machines for quite a while is something about which it ought to be very pleased. The fact that monopolies do not last for ever is something about which most people in South Australia should be pleased. I have no fears for the future of the Casino at all. It is in a market, and the market consists of people who enjoy playing these machines apparently—they play them; I am not qualified to say whether or not they enjoy it, but one would assume so. If the Casino markets what it has to sell well, I am sure it will survive and prosper.

The Hon. DEAN BROWN: For commercial reasons I do not want to get down to the dollar terms of the profit; that would be unfair to the Casino. However, because of the direct links to State finances, the Parliament should know the anticipated drop in percentage terms from the peak. I understand from SASFIT that in fact there has been a peak in terms of profits at the Casino. Those profits have declined since then and I think we deserve some answer in percentage terms in relation to the likely decline due to the introduction of poker or gaming machines. The Minister has acknowledged that he has

received some information. I think we deserve to know that information and advice.

The Hon. Frank Blevins: There are two issues: first, nothing will happen this year and, secondly, the Leader said that I had received information. I have not received information at all. Two people came to see me and had what could best be described as a whinge.

The Hon. DEAN BROWN: That is information in itself.

The Hon. Frank Blevins: I am very happy to pass that information on, as I did during the debate on the Casino. However, the Casino is like any monopolistic organisation: it would like the monopoly to continue. There is an obligation on all of us to examine monopolies and to see whether they are working in the interests of the general public. I would suggest that overwhelmingly they do not. For the Casino to have a monopoly on gaming machines is wrong, and I have said so. Whether or not it is happy about that, the honourable member would have to ask the Casino. On the more general question of the effect on SASFIT, it will be examined by the Committee later this afternoon and I think we should deal with those questions then.

The Hon. DEAN BROWN: My question was quite specific and it was not related to SASFIT. I simply asked for information about the change in profitability in percentage terms between the peak of the Casino down to the figure last year and what the anticipated figure will be once gaming machines are introduced.

The Hon. Frank Blevins: The profitability of the Casino does not relate only to gaming machines; it involves food, drinks and so on. We would not have any access to that information. As regards the gambling profitability, the tax that comes into general revenue would give some indication of that figure. All that information is available and I can certainly collect it for the Leader. However, that information is before the Parliament every year. There was a lower return to the Government. We budgeted for \$19.25 million and the actual amount received was \$16.952 million. So, there is a considerable reduction in the Government's revenue from the Casino.

The CHAIRMAN: Will the Treasurer advise the Committee—and he can take this question on notice—what representations were made to the Lotteries Commission prior to and after the introduction of the poker machines legislation? How many members of Parliament were briefed by members of the Lotteries Commission and what are their names? What representations were made to members of Parliament by representatives of the Lotteries Commission or by its agents in relation to the purchasing or likely procurement of poker machines in South Australia and who are the people who made those representations to the Lotteries Commission? On what dates were those representations made or briefings given in each case? I do not expect that information will be readily available to the Treasurer.

The Hon. Frank Blevins: I will ask the Lotteries Commission to examine that question and supply me with a response.

Additional Departmental Advisers:

Mr Malcolm Jones, Acting Chief General Manager, State Government Insurance Commission.

Mr Bruce Sheldrick, Manager, Finance, State Government Insurance Commission.

The Hon. Frank Blevins: During 1991 and 1992 the Government implemented significant changes to SGIC's legislation and operations. The Government also acted to remove SGIC's exposure to 333 Collins Street and to absorb the movement in the value of properties held by SGIC. A most important step taken by the Government was the introduction in February this year of new legislation for SGIC and its operations. While some of the provisions of the new legislation duplicated the repealed Act, substantial amendments were made and entirely new provisions were introduced. For the first time the Act specifies objectives that SGIC must pursue in carrying on its business. These objectives are:

- to carry on its insurance business with a predominant focus on the insurance requirements of South Australians;
- to act commercially and with a view to achieving a satisfactory profit performance over the medium term;
- to exercise prudence in the management and supervision of its insurance business and its assets and liabilities and to conduct its affairs to high standards of corporate and business ethics; and
- to avoid exposure to excessive levels of insurance risk by reinsuring its risks and by accepting reinsurance of other insurer's risks.

The Act also provides for a charter to be prepared by the Treasurer. The charter is a framework under which the nature and scope of SGIC's business and investment activities and other matters are determined by the Treasurer in consultation with SGIC's board. As required by the Act, the charter was tabled in Parliament on 6 August 1992. The new legislation and the charter create a new clearly defined relationship between the Government and SGIC.

As announced by the Government on 6 August 1992, Mr John Lamble has been appointed as the new Chairman of the SGIC board. Mr Lamble has almost 40 years experience in the insurance industry, most recently as the Chief Executive Officer of NRMA and Managing Director of NRMA Insurance Limited, a highly regarded insurance company. Mr Richard England, a prominent South Australian businessman, was also appointed as a director to the board. Both these appointments add significantly to the range of experience of the board and enhance its capacity to direct the future operations of SGIC. On 2 September the Chairman of SGIC announced the appointment of Mr Malcolm Jones as SGIC's new Chief Executive Officer. These appointments reflect the Government's commitment to strengthen and refocus SGIC.

However, the Government's initiatives in enacting new legislation, developing the charter arrangements, and appointing new members to the board, and the board's appointment of a new Chief Executive Officer, would have been insufficient if the Government had not taken other steps as well. During 1991-92 the Government resolved the issue of capitalisation for SGIC, and the impact of 333 Collins Street on SGIC. It became clear during the year that SGIC faced two significant issues. First, SGIC adopted and complied with a new accounting

standard. The standard, Financial Reporting of General Insurance Activities, requires insurance organisations to value investments at net market value. Under this standard changes in the net market value of investments, even if they are not realised, must be treated as a profit or loss in the profit and loss statement.

In 1991-92 SGIC's property investments were accounted for in compliance with this accounting standard. As was expected, in light of the condition of the property market in Australia, valuations of the properties showed that market values had reduced significantly since 30 June 1991. SGIC recorded the reduction in values as a loss in its profit and loss statement. The second issue SGIC faced was the impact of financing its acquisition of 333 Collins Street. During the course of 1991-92, SGIC's level of borrowings increased significantly in order to finance the claims made against SGIC in respect of the property, and its subsequent acquisition by SGIC. The valuation of this property also declined markedly.

The combination of the reduction in the value of SGIC's property investments and the impact of financing 333 Collins Street would have caused SGIC to record a loss, before Government action, of \$281 million. This was not acceptable to the Government. Therefore, a major objective of the Government in providing capital to SGIC was to allow SGIC to reduce the level of its borrowings and to cover the reduction in property values. Accordingly, debt obligations of SGIC to SAFA amounting to \$314 million were effectively assumed by the Treasurer in the financial year ended 30 June 1992 and SGIC was forgiven this amount of borrowings. This action immediately improved SGIC's prospective financial position.

The Government also provided \$36 million to the CTP fund in June 1992 in compensation for any disadvantage suffered by that fund from interfund transactions in SGIC. The amount of \$36 million was recommended by the working group as a fair estimate of the amount of compensation required. SGIC's exposure to 333 Collins Street for 1992-93 and later years was also removed. The Government decided, and the SAFA board agreed, that SAFA enter into a participation arrangement on commercial terms with SGIC. SAFA has effectively assumed SGIC's exposure to 333 Collins Street and to the remaining debt obligations of SGIC associated with the property.

As I have outlined, the Government has taken a number of initiatives to refocus and strengthen SGIC for the future. New legislation and a charter are in place; a new chairman and expanded board of directors are in place; SGIC has been recapitalised by \$350 million, included \$36 million compensation for the CTP fund, absorbing the losses SGIC would otherwise have faced on valuations of its properties; and SGIC's exposure to 333 Collins Street has been assumed by SAFA in a commercial arrangement. SGIC has been well positioned by the Government to make a valuable contribution to the South Australian community in the future.

Mr S.J. BAKER: There has been some speculation about the retirement package of the Chief Executive Officer of SGIC. Can the Committee be informed now of the payout figure, including his superannuation entitlement, long service leave and unpaid recreation

leave? We would like to be informed of the total package that is being paid out to Mr Gerschwitz and of the impact of the additional \$50 000 salary increase awarded at a time when the commission was making a pre-tax loss of \$81 million.

The Hon. Frank Blevins: As regards remuneration, I do not have any of those figures off the top of my head, but I will try to get them for the Committee.

Mr S.J. BAKER: I am sorry, that is not good enough. I would have thought that they should be a matter of public record by now and that the figures would be available to the Committee. I would appreciate it if the Minister would say he will provide that information to the Committee.

The Hon. Frank Blevins: I will provide whatever information is available on that to the Committee, as I said.

Mr S.J. BAKER: With respect to the Terrace Hotel, there has been a write-down of abnormal items of about \$35.5 million in relation to properties in SGIC's annual report. How much, if any of it, relates to the Terrace Hotel?

The Hon. Frank Blevins: I will ask Mr Malcolm Jones to respond to that question.

Mr Jones: On page 59 of the annual report, it is stated that the amount for property write-downs is actually \$78.9 million. The second item under 'Items charged' in note 6 is the amount with respect to the Terrace Hotel, and that is approximately \$27 million.

Mr S.J. BAKER: So it is a \$27 million write-down of the Terrace Hotel?

Mr Jones: Correct, included in that \$78.9 million.

Mr S.J. BAKER: What does that make the net value of the Terrace Hotel now?

Mr Jones: Slightly under \$43 million—approximately \$42.7 million.

Mr S.J. BAKER: That is against a figure, in terms of the cost of refurbishing, the cost of purchase and interest on that amount, of fairly close to \$100 million?

Mr Jones: Yes, \$97 million.

Mr S.J. BAKER: What are the commission's future plans for the Terrace Hotel? It was intimated to us that it was looking for an arrangement to sell off the Terrace to make it part of a larger group. What is the situation now?

The Hon. Frank Blevins: I will ask Mr Jones to respond to that.

Mr Jones: We are currently reviewing various options with the Terrace Hotel as to the best way of managing the property and reviewing its long-term future. There are certain negotiations under way at present which we had hoped would be concluded by this time. To make a specific comment in that regard could well jeopardise the position of those negotiations.

Mr S.J. BAKER: How much did the SGIC and Collins Street Properties Pty Ltd pay in consultancy fees with respect to the management and future options for 333 Collins Street?

The Hon. Frank Blevins: Mr Jones will give the Committee what information he has on that.

Mr Jones: Does the honourable member want to know how much we have spent in consultancy fees?

Mr S.J. BAKER: Yes, in relation to that property.

Mr Jones: That amount would be relatively small, as most of the work has been done internally by me. There

has been reference to our agents, Baillieu Knight Frank, who are involved in the leasing of the property. There is also reference to Jones Lang Wootton, who are involved in the financial management of the property. In terms of those two organisations receiving additional fees in respect of that consultation, there has not been any.

The Hon. Frank Blevins: Nevertheless, I will examine the question to see whether any parts of it have not been answered and will respond to the Committee.

Mr HERON: Does SGIC have any plans to reconsider its involvement in health insurance, given that it made a further loss on that business in 1991-92?

The Hon. Frank Blevins: The performance of SGIC Health must be viewed in the context of the problems being experienced by all health insurers. Major health funds have experienced heavy losses in both South Australia and the rest of Australia in the past two years. The last two results available from Medibank Private, for example, show losses in South Australia of \$3.2 million and \$3.1 million, while the comparable figures for Mutual Community are losses of over \$15 million and \$6.6 million respectively. The loss of \$780 000 experienced by SGIC Health in 1991-92 is therefore a result that, put in context, is reasonable.

A further abnormal loss of \$4.2 million was brought to account in 1991-92 following a detailed actuarial review of the provision for outstanding claims. This revealed the deficiency of \$4.2 million relating to under provisioning in prior years and is not related to the 1991-92 operations. Provisions are now comparable to or in excess of industry ratios, and reserve levels are adequate. I can assure all our customers that their interests are well protected.

As with all SGIC subsidiaries, the future of SGIC Health will depend on its capacity to contribute to the profits of the parent company. This contribution will be assessed having regard not only to its accounting result but also to the contribution that it makes to overhead costs and to the marketing of other products. In essence, whilst in the broad sense it is useful to the SGIC, if at any stage it is not useful to the SGIC in the broad sense, like any part of the operations of the business, it will come under very close scrutiny to see whether it is worth keeping.

Mr HERON: What is the amount of claims on SGIC arising from the recent flood damage in the Adelaide Hills?

The Hon. Frank Blevins: SGIC's total loss arising out of claims due to the Adelaide Hills floods on the weekend 29-30 August will be approximately \$200 000. At this stage, some 200 claims have been received by the business and domestic insurance areas, very few of which relate to actual flood damage. The majority are for damage due to the overflow of pipes and gutters, lifted roof tiles, damaged motor vehicles and things of that nature.

Mr HERON: Has SGIC fully adopted the new accounting standard AASB1023 and, if so, how has it impacted on the 1991-92 result?

The Hon. Frank Blevins: A new accounting standard AASB1023 financial reporting in general insurance activities was introduced last year. This accounting standard requires investments which form an integral part of SGIC's insurance operations to be accounted for at net

market value. Changes in the net market value of investments are then required to be treated as gains or losses in SGIC's profit and loss statement. SGIC has fully complied with this standard and abnormal losses resulting from property revaluations have been treated in this manner. On this valuation basis, SGIC's consolidated total assets at 30 June 1992 were \$1 550.7 million. Total liabilities as at 30 June 1992 were \$1 469.1 million. All properties have been valued at 30 June 1992.

All valuations were prepared in accordance with guidelines issued by the Australian Securities Commission, which provides that the valuation should be based on, among other things, an arm's length transaction between a willing buyer and a willing seller. Substantial property revaluations have occurred as a result of this new accounting standard: 333 Collins Street, minus \$145 million; and, as has been mentioned, other property, minus \$78.8 million.

SGIC is not alone in having substantial property revaluations. Property write-downs experienced by other insurers in the past 12 months include: GIO Australia, \$39 million; SGIC, WA \$150 million; and AMP, \$1.47 billion.

The Hon. DEAN BROWN: Does the commission's increased equity in Austereo represent further investment or a conversion of loan to equity? This is reported in the annual report on page 71.

Mr Jones: The change in value was made up of two elements: there has been an additional injection of \$4.7 million cash. As a result of that, a reassessment of the worth of that investment was taken on 30 June this year, based on the performance for the year, and there was a further write-back of the worth of that investment—we had overwritten it down in the prior year.

The Hon. DEAN BROWN: So, you had written it down and written it back up again?

Mr Jones: We had written it down substantially at 30 June 1991, because of the uncertainty of what would happen with the investment. Subsequently, towards the end of the 1991 calendar year, a reconstruction proposal was put forward, to which we injected \$4.7 million and, as a result of that, the future of the organisation became clear. So, there was an improved appraisal value of that investment.

The Hon. DEAN BROWN: What has been the total injection of funds as either equity or loan funds?

Mr Jones: The investment capital was in three components.

The Hon. DEAN BROWN: This is from SGIC?

Mr Jones: Yes. There was \$6.9 million in convertible notes; there is the \$4.7 million to which I referred previously; and there was an original investment of \$15.3 million.

The Hon. DEAN BROWN: What are the components of the unlisted equities which were swapped between the CTP and life funds, as stated on page 63 of the 1991-92 annual report?

The Hon. Frank Blevins: Mr Jones has the annual report with him and will comment on that.

Mr Jones: No assets have been swapped between the funds. To which line is the honourable member referring?

The Hon. DEAN BROWN: I am sorry, I do not have the report here, but I refer to the components of the unlisted equities that were swapped. I understand you

swapped some from one fund across into another; is that correct?

Mr Jones: That is not correct.

The Hon. FRANK BLEVINS: In order not to delay the Committee, again we will examine the question; some amplification of the question, perhaps in writing, would be appreciated so that we are absolutely sure what we are responding to.

The Hon. DEAN BROWN: In one fund you have gone from \$156 million down to \$37 million and in the other you have gone from \$18 million to \$47 million.

Mr Jones: That does not mean that one has transferred assets to the other. To my knowledge, there has been no transfer of unlisted equities between those two funds.

Mr De LAINE: My first question is in relation to SGIC's profitability. While SGIC has had a number of abnormal losses in 1991-92, what is the status of SGIC's core business?

The Hon. Frank Blevins: SGIC's consolidating operating profit before tax and abnormal items for 1991-92 was \$25.3 million, as opposed to \$8.7 million in 1991. The increase in operating profit before tax in abnormals in 1991-92 compared with 1991 reflects a 19.2 per cent, or \$54.4 million, increase in premium revenue; virtually no increase in claims expense; and a \$27.5 million decline in investment income, which reflects the combined effects of lower interest rates and unrealised movements in the market value of investments. Some \$306 million of abnormal losses by SGIC in 1991-92 were offset by Government action and capitalisation, amounting to \$350.4 million and, as a result, profit after tax of abnormal items for 1991-92 was \$51.6 million, compared with a loss of \$57.1 million for 1990-91. I think it is clear that the core insurance business of SGIC is a very good business; some of the investments clearly did not turn out as expected but, as regards the insurance business, it is a very sound, well managed business.

Mr De LAINE: Does SGIC comply with the relevant provisions of the Life Insurance Act?

The Hon. Frank Blevins: I am quite sure it does. SGIC fully complies with Divisions 4, 5 and 6 of Part III of the Life Insurance Act 1945 of the Commonwealth, as referred to in section 22 of the State Government Insurance Commission Act 1992. This includes the furnishing of detailed financial and actuarial returns on a regular basis. The establishment of separate statutory funds and capital fund within the life fund is in compliance with the Life Insurance Act 1945. This is as defined under section 25 of the State Government Insurance Commission Act 1992.

All reporting and movements between these funds within the life fund also complied with the appropriate provisions of the Life Insurance Act 1945. In general, all reporting requirements imposed on life insurers carrying on business in South Australia by or under any Act of the Commonwealth for the disclosure of information to existing, prospective or former policy holders are complied with.

Mr De LAINE: Has the Government had an opportunity to consider the recommendations of the second report of the Economic and Finance Committee, and what action does it propose to take in response to those recommendations?

The Hon. Frank Blevins: The Committee made four recommendations of which only the last, dealing with amendments to the Stamp Duties Act, relates to the responsibilities of the Treasurer. The committee's investigations of the transaction involving SGIC, United Landholdings Pty Ltd and others helped to focus attention on a scheme for avoiding stamp duty payable on mortgage documents. The investigations also helped to focus attention on the need for the Commissioner of State Taxation to have power to reassess duty where new facts come to light. The Government has announced a crackdown on tax avoidance and evasion by businesses and financial institutions and a review of the mortgage duty provisions is being undertaken by the Commissioner. The Government will move to legislate, if necessary, to close any loopholes being used to minimise tax.

The Commissioner has, in the interim, put into place certain changes which will considerably strengthen the position. One such measure is that, in order that the Registrar-General can be satisfied that stamp duty has been paid upon the highest amount advanced under the security or other associated documentation, a certification to that effect is required to be attached to or endorsed upon all discharges of mortgage lodged for registration at the Lands Titles Office.

Where the stamping of the mortgage reflects the greatest amount outstanding at any time to the mortgagee the Registrar-General will proceed with the registration process. Where the mortgage document has been stamped for a lesser amount than the greatest amount outstanding then the discharge and mortgage will be referred to the Commissioner of Stamps. These new procedures are contained in Stamp Duty Circular No. 23 and take effect for all discharges lodged in the Lands Titles Office from 14 September 1992. Cabinet has already approved amendments to the Stamp Duties Act to enable the Commissioner to reassess duty upon instruments in certain circumstances.

Cabinet has also approved amendments to the Stamp Duties Act to ensure that stamp duty is paid when guarantees or put options are given to secure the performance of financial obligations, and also ensure that stamp duty is paid where a registered mortgage is given to secure any default arising in respect of a bill of exchange or promissory note; correct a deficiency with section 79 (2) of the Act; and ensure that stamp duty is paid when documents of title are deposited to secure the repayment of moneys advanced. The other recommendations made by the committee relate to standards of conduct and the duties of board members of statutory authorities; confidentiality agreements entered into by statutory authorities; and sale of real property by public tender.

The Government will be seeking advice from the Director-General of Lands on whether public tendering is necessarily the most appropriate procedure to be followed in the disposal of real property given that the Government's objective as set out in Department of Premier and Cabinet circular No. 114 is to optimise its financial return having regard to its other social and environmental goals. The Government is proposing to introduce a Public Corporations Bill to establish a comprehensive accountability framework for statutory

authorities and the other issues raised by the committee will be dealt with in that context.

The Hon. DEAN BROWN: The annual report discloses reserves of \$81.6 million for 1991-92 compared with \$46.5 million in 1990-91. Three questions arise from that. Does it mean that SGIC is now sufficiently capitalised? Has the \$350 million bail-out been brought to account? What would have been the loss figure without that bail-out?

The Hon. Frank Blevins: As to the final question, I thought that figure had already been stated. I ask Mr Jones to comment on those questions.

Mr Jones: As to being sufficiently capitalised, I presume you mean solvency under the IFC guidelines?

The Hon. DEAN BROWN: Yes.

Mr Jones: The minimum solvency would require a further \$89 million on our estimation. That is subject to a qualifying net asset position. Some assets do and do not qualify. We have taken a position on certain assets and believe that \$89 million would be a fair figure. It would exclude items such as goodwill elements that do not qualify in that scenario.

The Hon. DEAN BROWN: You are saying that \$89 million extra will be needed?

Mr Jones: If you were going to be technically solvent from an IFC position, yes.

The Hon. Frank Blevins: Mr Hill can supplement that answer.

Mr Hill: The point of the recapitalisation of SGIC was not necessarily to put it in a position where it complied with all the IFC recommendations. The purpose of the capitalisation was to enable SGIC to go forward on a reasonable basis and have some chance to operate profitably in future years.

The Hon. DEAN BROWN: I think Mr Jones was about to answer the second question: has the whole \$350 million bail-out been brought to account?

Mr Jones: Yes, it has. It has been brought to account through the profit and loss.

The Hon. DEAN BROWN: What would be the loss figure without that bail-out?

Mr Jones: It is the sum of \$280 million.

The Hon. Frank Blevins: That figure has already been stated. It is about \$281 million.

The Hon. DEAN BROWN: The \$120 000 from Executor Trustee represents a pretty poor return on capital. Have some of those operations been transferred to Austrust?

The Hon. Frank Blevins: At the moment Australia is littered with companies that are getting a pretty poor return on capital. Some of the biggest players in Australia are having exactly the same problems as SGIC. I ask Mr Jones to comment on the question.

Mr Jones: Substantially, most of the operations of Executor Trustee are now operating under the Austrust banner. The company name is maintained in its current form. All staff are employed by one organisation rather than maintaining them in two, and there is a recharge of certain costs in respect of funds that must be retained under the existing company name of Executor Trustee. The performance incorporated in there for Executor Trustee reflects an interim period of about one month's performance before that transfer occurred.

The Hon. DEAN BROWN: Are all directorships which are now required to be disclosed under the SGIC Act reported on page 42 of the 1991-92 SGIC Annual Report?

Mr Jones: Yes. I am not sure whether it is through the Act or the charter, but it requires us to report as would a public listed company. That brings in the requirement to list any associations. It is in compliance with that that we have drafted the directorships.

Mr S.J. Baker interjecting:

Mr Jones: Under schedule 5 of the corporations law one is required only to list those directorships that demonstrate qualifications or experience to hold office and, secondarily, to provide some related party association. It does not require disclosure of every directorship that each person has.

The Hon. DEAN BROWN: You are saying that that still complies with the SGIC Act?

Mr Jones: Yes.

Mr S.J. BAKER: It was clearly understood and the former Premier gave undertakings that all directorships and affiliations would be revealed in the annual report, but they are missing from this annual report. This was partly complied with last year and supplementary evidence was provided to the committee last year. We understood that this would be normal practice, but it has disappeared from this report.

The Hon. Frank Blevins: I am not sure what undertakings were given by the former Premier. If the member for Mitcham gives me the reference, I will follow it through and see what was promised, what has been delivered and what it is possible to deliver. Mr Jones might be able to assist the Committee a little further.

Mr Jones: Prior to the enactment of the SGIC Act there was quite a bit of confusion as to precisely what it meant. This caused a certain amount of debate on the drafting of the new legislation and also the charter for the select committee. I understand it was resolved that compliance with the corporations law was sufficient to meet that requirement.

Mr S.J. BAKER: I believe the discussion went along a different tack, that a standard would be applied to all statutory authorities requiring annual reports to list the directors and their affiliations, and that that is what the Premier undertook to do. There was some reflection on the level of detail that should apply in such circumstances, because it was asked whether people would actually take up positions on statutory authorities if the amount of information revealed about them was far greater than that required under normal commercial practices. I understood that from at least the SGIC's point of view we would receive this information as part of the normal annual reporting process, so there must have been some misinterpretation. It is referred to in last year's record of the Estimates Committees and the select committee also refers to it.

The Hon. Frank Blevins: I repeat: I will have this question examined and, with the assistance of the member for Mitcham, I will obtain the reference to which he has referred. If any information has not been given, it has been inadvertent; there has been no attempt to hide that information. I assure the Committee that anything

that can be located and responded to prior to 7 October will be.

The Hon. DEAN BROWN: The CTP fund has reduced from \$156 million in 1991 to \$37 million. What is the reason for the huge reduction of \$120 million?

Mr Jones: I have identified the major reason for the movement. There has been only a minor movement in listed equities. A substantial amount of the unlisted movement concerns convertible notes in respect of SA Brewing that were sold during the year, but certain of those convertible notes were bought back by SA Brewing under the terms of the convertible notes.

Mr BRINDAL: SGIC owns a parcel of properties in the area known as the Oaklands Triangle, the principal property being the former Oaklands Primary School. How much was paid for the total parcel of properties and what is their present value?

Mr Jones: At 30 June 1990, the value of those properties was \$6.1 million; at 30 June 1991, it was approximately \$7 million; and at 30 June 1992, it was \$5.8 million.

Mr BRINDAL: Has SGIC made any move to sell that property or otherwise dispose of it; has it approached or been approached by Westfield or Westfield Investments; and if a suitable commercial offer was made, would SGIC entertain that offer?

The Hon. Frank Blevins: If \$100 million was offered, the answer would probably be 'Yes', but we would consider any reasonable offer.

Mr Jones: I am not aware that we have specifically approached anyone, and we have not been specifically approached by anyone. At this point of time, our general view is that we are overweight in property and, given the right circumstances, I think we would definitely entertain selling the property.

Mr BRINDAL: Has the supplementary development plan on the property been completed?

The Hon. Frank Blevins: I do not know at this stage, but I will obtain the answer for the Committee.

The Hon. DEAN BROWN: Why was the property bought in the first place?

The Hon. Frank Blevins: I assume it was an investment just like any other investment. If there is anything more colourful than that, I will ask Mr Jones to respond.

Mr Jones: I have no personal experience of the acquisitions as I was not here at that time. However, I believe this question has been asked previously and that a reasonable amount of information as to the rationale has been provided, but I will collate that information again if it is required.

The Hon. DEAN BROWN: I would appreciate that.

Additional Departmental Advisers:

Mr R. Rusc, Chief Executive Officer, South Australian Superannuation Fund Investment Trust.

Mr C. Boyce, Manager, Accounting.

The CHAIRMAN: Mr Treasurer, do you wish to make an opening statement?

The Hon. DEAN BROWN: Why don't you just table it?

The Hon. Frank Blevins: I think it would be negligent of me not to make an opening statement and

give information to the Committee to put the subsequent debate in proper context.

The Hon. DEAN BROWN: It could be tabled to save time.

The Hon. Frank Blevins: It is worth reminding members—

The CHAIRMAN: If the Treasurer wants to read the statement into *Hansard*, I believe we should accommodate him.

The Hon. Frank Blevins: It is worth reminding members that SASFIT is the statutory body that has a joint responsibility to the Government and public sector superannuation contributors for the investment of all employees' contributions and some employer contributions. Most of SASFIT's liabilities are very long term and are linked to movements in public sector wages and consumer prices. As a matter of prudence, SASFIT has developed investment strategies to match, to a large extent, those liabilities. Naturally, over the past few years of depressed economic activity and asset value depreciation, SASFIT's reported earnings have been lower than expected long-term averages. However, looking over the past 12 months, and more relevantly the past five and 10 years, SASFIT's investment performance has been around or above average.

SASFIT's assets under management grew in size by 11.8 per cent to \$1.1 billion by the end of June 1992. SASFIT's investment performance over that year, for all schemes under management, was 9.8 per cent, which was in line with the performance after management fees of major balance fund managers. Over five years, the investment return comparison was favourable, showing SASFIT earning 9.8 per cent per annum against the average of major balanced funds of 8.2 per cent per annum. Over the past 10 years, SASFIT's return of 14.7 per cent per annum has exceeded other key long-term balanced fund managers and outpaced inflation by 8.1 per cent.

While it is easy to assume that mistakes made in some part of the finance industry must almost certainly be made in all parts of the sector, it is an assumption that one should not jump to too readily. In the case of SASFIT, it has adopted over a number of years a clear and consistent investment management policy that has proved to provide sound, possibly unspectacular, but steady and secure investment returns for its contributors and the Government while at the same time contributing to the public, tourism and industrial infrastructure in this State and to the generation of significant employment opportunities.

Mr S.J. BAKER: My question relates to the administration of superannuation schemes. We have noted that the High Court at least believes that public sector superannuation funds shall be subject to taxation on their earnings. What impact would the High Court decision have if the State superannuation scheme cannot use the provision in the Tax Act that exempts the proportion of assets necessary to meet liabilities?

Mr Ruse: If I understood the question correctly, it was what would be the impact if we could not claim an exemption.

Mr S.J. BAKER: Yes.

Mr Ruse: Clearly, it would be 15 per cent of the income of SASFIT which last year was \$97.7 million,

less deductions that would be available and which we have not estimated. There is no question but that some exemption would be available because a large part of our assets is required to meet existing pensions. Under current Commonwealth tax law, our advice is that all our assets can be interpreted as being required to meet existing pensions liabilities, and hence there will be no income tax liability.

Mr S.J. BAKER: As a matter of clarification, is that because it is an unfunded scheme?

Mr Ruse: Essentially, yes; or partially funded, I should say.

Mr S.J. BAKER: Has a consultancy been issued in relation to obtaining advice on this taxation matter; who has undertaken the consultancy; at what cost; and will a report be provided to the Government and the Parliament?

Mr Ruse: Following the High Court decision, which made it clear that taxation would be payable on part of SASFIT's earnings, SASFIT sought submissions from a number of parties and appointed Price Waterhouse to provide advice on the matter. I do not know off the top of my head how much we have paid them, but essentially the consultancy was on an hourly basis. We have paid less than \$20 000 to them over the past few months, but we can provide more accurate information to the Committee on notice.

Mr S.J. BAKER: I would appreciate it if that could be taken on notice. If it is a firm belief that there shall be no taxation liability because of the capacity to trade off the assets required to meet the current liabilities, why would you undertake a consultancy?

Mr Ruse: The consultancy was undertaken to provide that sort of information to us. At the time that the consultancy was entered into, it was not clear. There are still some grey areas. Some States have been able to use their unfunded liabilities in the way that we believe we can use them in this State and other States have not, so we needed a consultancy to get the answers to determine what our options were.

Mr S.J. BAKER: Is it fair to say that there is still a dispute at this stage?

Mr Ruse: Not so much a dispute, but a matter of interpretation as to how the Act would work in this State, given that our structure is quite different from other States in that we have a separate investment trust from the body that manages the superannuation schemes.

Mr S.J. BAKER: I think everybody would have been astounded to see that the State now owes \$3.5 billion in accrued superannuation liabilities and that these increased by \$303 million in the last financial year. Can we be provided with a split of the liabilities associated with each of the schemes in operation today?

The Hon. Frank Blevins: The question of the unfunded liabilities is broad and interesting. It is essentially to be dealt with on advice from the Treasury rather than from SASFIT. The question of funding superannuation schemes or pay-as-you-go is still a healthy and vigorous debate, especially when one is still borrowing. Whether there is any point in funding the scheme when one is borrowing is a very good question, and at this stage I have not been totally convinced that it is necessary. I suppose that in a perfect world, if the State were not borrowing, it would have some meaning;

but the purpose of borrowing to fund superannuation liabilities strikes me as at least an open question. Also, for the purposes of assessing them, to assume that everybody will suddenly retire tomorrow is clearly nonsense; everybody will not retire tomorrow. The figure, whilst not meaningless, can be put in a context or given far more importance than is due. However, I will ask Treasury to examine the member for Mitcham's question to see whether we can supply any useful and meaningful figures.

Mr QUIRKE: There has been a great deal of speculation in the media about the ASER project and SASFIT's exposure to the ASER project and development. Can the Minister tell the Committee exactly what the position is in respect of the ASER project and, in particular, what the return has been to SASFIT from its investment in that project?

The Hon. Frank Blevins: The Legislative Council Select Committee on Review of Certain Statutory Authorities has already dealt quite extensively with SASFIT's investment in ASER, which began in 1983 following bipartisan support at that time for a development of the railway station environs in the early 1980s. The development changed considerably from that originally conceived after the Casino became part of the development. The hotel and Convention Centre were both upgraded. In any event, the joint developers, Kumagai Gumi and SASFIT, took the commercial decisions to spend more than originally planned in order to increase the overall value of the development. The test as to whether their investment has been justified is best measured in terms of rate of return achieved.

The background to and performance of SASFIT's investment in ASER has been discussed at some length in other places and, in particular, in an appendix to SASFIT's latest annual report. That report shows that, over time, SASFIT has outlaid less than \$1 million for the commercial elements of ASER, and the value of the investment acquired has been independently assessed as now having a market value of \$104 million; that is, a return on SASFIT's investment of over 20 per cent per annum has been achieved. The return has out-paced the average share market performance over that period by 3.6 per cent per annum, a more than satisfactory return in anyone's language.

Mr QUIRKE: What is SASFIT's total exposure to ASER, as a percentage of the total project?

The Hon. Frank Blevins: I think Mr Ruse can answer that.

Mr Ruse: SASFIT is a 50 per cent joint venturer in the ASER Property Trust with Kumagai Gumi. That 50 per cent interest was last valued at \$104 million.

Mr QUIRKE: Has the ASER project been affected by the general slump in property development and the consequent loss of rental income over the past 12 months or so?

The Hon. Frank Blevins: Again, Mr Ruse can respond to that question.

Mr Ruse: The ASER Property Trust value comprises a number of component parts. Obviously that part relating to the Riverside office block has been affected by depreciation in office property values. The other two parts are the hotel and Casino performance. They have declined slightly in value over recent years, again

reflecting perceptions of their performance in the future but, as reported in the annual report, our investment in the ASER Property Trust has declined from \$110 million two years ago to \$101 million last year, and it has recovered slightly to \$104 million in this past year.

Mr S.J. BAKER: The Financial Statement (page 22) states that an additional \$26 million will be paid into the special deposit account to meet the superannuation productivity scheme in 1992-93. At page 213 of the Estimates of Payments, we find that the amount paid into the productivity scheme was \$51.9 million last year against an estimated \$28.5 million this year. In asking this question, I challenge absolutely the Minister's statement that the superannuation liability of \$3.5 billion is academic, as the Minister intimated. It is of concern to all countries around the world. It is of concern to all States of Australia. The only funded scheme that we have in Australia is that in Queensland. In America, most of the schemes are funded. The provinces of Canada are now going onto a 30-year catch-up scheme. For the Minister to say it is really not too relevant is quite horrifying.

The Hon. Frank Blevins: I did not say that the figure of \$3 billion-odd was academic. It is not academic. I still think there is a very real debate to be had. Indeed, the debate is being held as to the point of fully funding or even partly funding future superannuation liabilities when one is the borrower—

Mr S.J. BAKER interjecting:

The Hon. Frank Blevins: Apart from bailing out the State Bank, the State has been a borrower for a good many years. I assume that at some stage we will engage in a debate on levels of debt, and I will be very pleased to have that debate, particularly with the Leader, who was a member of a former Government in this State, and about the levels of debt at that time. However, it is true that we are moving—

Mr S.J. BAKER interjecting:

The Hon. Frank Blevins: Almost 24 per cent of GDP. We can trade, by interjection, figures across the Committee very easily. I would sooner do it in a more substantial way, and I am sure we will as the day goes on. Suffice to say, the Government puts certain moneys aside or makes provision for some of the costs of our future liabilities in superannuation. It is a matter of judgment in every budget as to how much provision it is proper to make given the financial circumstances of any particular time when budgets are put together.

Mr S.J. BAKER: I think Mr Hill was going to refer to the \$26 million in the budget statement and the \$28.5 million provision for this financial year.

The Hon. Frank Blevins: I am not sure of the point of the question, but I will examine the question and get back to the honourable member.

Mr S.J. BAKER: As clarification, I point out that the budget papers refer to an additional \$26 million being paid into a special deposit account for contributions to the 3 per cent productivity scheme. If we added \$26 million to the \$52 million that was paid out in 1991-92 to the special deposit account, we would finish with a figure of nearly \$80 million. Instead, we finish with a figure of \$28.5 million as the pay-in for this financial year. I would like the matter clarified.

The Hon. Frank Blevins: I will certainly clarify the matter, probably later this afternoon when we are dealing with questions relating to the Treasury portfolio. The way we deal with these questions is at the request of the Opposition. Obviously, we are trying to restrict this part of the proceedings to the authority nominated by the Opposition as the appropriate one to be under examination at this time, and that is SASFIT. However, Treasury will be under examination at about 5 p.m. and, should the question be asked again, I am sure we will be able to answer it to the satisfaction of the honourable member.

Mr S.J. BAKER: Can the Minister explain why there are so many problems with the software system in relation to the superannuation scheme? With respect to the Public Sector Employees Superannuation Scheme, some public servants are still awaiting their advice from 1989-90, and I have been contacted on three or four occasions by employees wishing to leave the service who sometimes have to wait six months for advice as to their entitlements; even when they leave the service, there is still a three-month waiting time. Can we have a clear explanation of what has gone wrong and what will be done to fix it up?

The Hon. Frank Blevins: This has been extensively explained in questions on notice. Again, it is not something that is dealt with by SASFIT: it is something that is dealt with by Treasury and, if the question is asked when Treasury is under examination, we will be only too pleased to respond. I think that the answer is in the question itself. There have been some software problems and so on, and there are others that have already been detailed to Parliament, but we will go through them again later in the day.

Mr S.J. BAKER: My last question relates to the Superannuation Board. I would like a clear explanation as to why in the annual report the crediting and exit rates for pension schemes for 1988-89 and 1989-90 were substantially above the earning rate of the schemes. What implications does the low earning rate of 4 per cent have for pensions in future years if the Government does not increase its contribution?

Additional Departmental Adviser:
Mr John Hill, Deputy Under Treasurer.

The Hon. Frank Blevins: Again, this is not a matter for SASFIT, but the Committee has been joined by Mr John Hill, who is the Deputy Under Treasurer and who would be able to give some information to the Committee.

Mr Hill: The answer to the first part of the question is that, under the Superannuation Act, the Superannuation Board has a responsibility to consider the desirability of smoothing the returns that SASFIT achieves in any given year in order to produce a more even flow of crediting to members' accounts. It is the case that, in the two years to which the honourable member referred, the returns from SASFIT for that division of the fund were below that which the board considered would be expected over the long term, and the board therefore decided to credit to members' accounts in those two years in excess of the amount that was earned by SASFIT in that division fund. It follows logically, of course, that at some stage in the

future the board will have to correct for this over-crediting and, of course, that is something that the board will keep under very close notice. Will the honourable member repeat the second part of the question?

Mr S.J. BAKER: Yes. The answer obviously highlights the fact that we are playing funny money schemes if we put in higher rates of return than are actually achieved and, given that the rate has slumped dramatically (and I am not going to talk about other superannuation schemes), we are now talking about an earning rate of 4 per cent. What impact does that have? Given that we have standard benefits that are applied by the Superannuation Act, what impact does such a low earning rate have on the future of the superannuation schemes?

The Hon. Frank Blevins: Clearly, as I explained at the start, the higher the earning rate, the better, but no superannuation fund or any other fund can consistently earn rates of return that are widely out of line with the market, particularly with superannuation obligations, where we have to take a long-term view of 30 or 40 years. It is the overall performance over the long term that is relevant, and not whether this year we are making 4 per cent and next year 14 per cent and so on. Provided on average there is a good rate of return, the 12 months figures are fairly irrelevant. I suppose, if we were being churlish, we could point out that SASFIT's performance is far in excess of the performance of, for example, the New South Wales equivalent, which I think has dropped \$1 billion this year to return a near zero figure of .1 per cent—a relatively trivial rate of return for this year. Whilst this is undesirable, the long-term effect of that may be negligible, because it is what occurs over the long term that counts. It is clear that for this year SASFIT has done as well as and, in most cases, better than comparable managers.

Mr HERON: Has SASFIT been badly hit by the property prices slump that has been experienced by many other institutions?

The Hon. Frank Blevins: SASFIT's property returns over 1991-92 were disappointing, showing a nil return following a 1.3 per cent return for the year before. However, compared with the Westpac index for institutional property holders, returns have been relatively reasonable. The Westpac property index fell by 6.5 per cent last year and 6.2 per cent the previous year. Fortunately, SASFIT has not been exposed as heavily to the Sydney, Melbourne and Perth CBD office markets and has a reasonably strong exposure to the better performing retail shopping centre sector. So, to some extent, SASFIT has been astute in its investment in the property market but, obviously, with the property market being down, that part of SASFIT's portfolio which relates to property will also be down. I think everybody in this Chamber who owns a house or any other property would know about the problem we are dealing with.

I think the balance has been reasonable, and for SASFIT to come out the way it has is a credit to the foresight—and the conservatism, I might add—of those who make those investment decisions. However, they would have been pilloried had the property market gone through the roof and had funds that took a more aggressive or speculative approach showed very high returns; SASFIT would have been castigated for not

having more of its portfolio in property and taking advantage of those very high returns. However, we are talking about results over decades, and I believe that SASFIT's history and record in this area has demonstrated that in the long run its investment policies are sound and to the benefit of the people with an interest, and that includes the taxpayer as well as the superannuant.

Mr De LAINE: Why does SASFIT hold such a high proportion (around 40 per cent) of consumer price index investments, and what has been the impact of that investment policy on overall returns?

The Hon. Frank Blevins: Because the benefit payment and the defined end benefit schemes are directly related to the recipient's retiring salary, and because this in turn is strongly linked to the rate of inflation over the contributor's working life, SASFIT's investment strategy is to hold a large proportion of investments that are tied to the level of inflation. These assets are either bonds, loans or lease arrangements, backed by Government, that pay SASFIT a predetermined cash flow adjusted for movements in the CPI over long periods, typically 20 to 40 years. SASFIT's strategic allocation to such assets is 38 per cent for the defined end benefit schemes, although the holding at 30 June 1992 was 44 per cent. This overweighting reflected SASFIT's view that the asset class represented particularly attractive buying. This view was vindicated with SASFIT's CPI linked investment portfolio returning an astonishing 18.1 per cent in the past 12 months.

Mr De LAINE: How does SASFIT's earnings performance compare with those of other fund managers?

The Hon. Frank Blevins: I will ask Mr Ruse to respond to that question.

Mr Ruse: SASFIT's earnings performance over the past five years has been above the average of other balanced fund managers. The earnings have been 9.7 per cent for the pension scheme, 10.8 per cent for the police pension scheme and 9.7 per cent for the employer contribution accounts. This compares with inflation over that period of 5.4 per cent, and the return of major balanced funds on average was 8.2 per cent.

Over the past year SASFIT's returns have been 9.8 per cent for the pension scheme, 8.4 per cent for the lump sum scheme, 9.9 per cent for the police pension, 14.3 per cent for police lump sum and 9.9 per cent for the employer contribution accounts. This compares with inflation over that period of only 1.2 per cent and the average performance of major balanced funds in the private sector of 9.9 per cent.

The comparison with other major large public sector fund managers shows that recent returns have been considerably better, as the Minister reported earlier. New South Wales reported earnings of .1 per cent last year following .8 per cent for the year ended March, while the Commonwealth superannuation schemes earned 7.9 per cent and 2 per cent over the past two years.

The Hon. DEAN BROWN: We are ready to go on with the next matter, involving the South Australian Financing Authority.

Additional Departmental Advisers:

Mr P. Emery, Under Treasurer.

Dr G. Bethune, Assistant Under Treasurer (SAFA).

Mr R. Schwarz, Assistant Under Treasurer (Revenue and Economics).

Mr J. Parkinson, Assistant General Manager, Accounting, Administration and Systems (SAFA).

Mr J. Wright, Assistant General Manager, Cash Debt and Client Management (SAFA).

The CHAIRMAN: Has the Minister an opening statement?

The Hon. Frank Blevins: Yes, Sir. Members of the Committee will be pleased to see that SAFA has had another successful year. SAFA's operating surplus for 1991-92 before abnormal items was \$386 million, compared to \$333 million in the previous year. The result after abnormal items was a surplus of \$719 million. The lower interest rate environment made it possible to reduce interest rates being paid by the Government and other clients. The quality of SAFA's investments has been maintained, notwithstanding the difficult financial environment, and SAFA further developed its borrowing programs during the year. These are the highlights of the year and provide the context for questions asked by the members of the Committee. I would like to deal briefly with each of them in turn.

First, SAFA's surplus: SAFA's core surplus is reasonably constant and predictable. In any particular year though, this surplus is likely to be affected by abnormal items. In 1991-92, there were three such items:

- an addition to the surplus of \$247 million realised from the early repayment and waiver of concessional interest rate debt under various specific purpose agreements between the Commonwealth and South Australian Governments. Of the total amount of \$247 million, \$50 million represents an economic gain. The remaining amount of \$197 million is the result of applying accounting standards and guidelines;
- termination of the financing arrangements associated with the Torrens Island Power Station has required a write-back to income of an amount of \$65 million previously set aside in the provision for general contingencies to cover the indemnities; and
- a further write-back to income of the balance remaining in the provision for general contingencies added \$21 million to the surplus. A review of the indemnities provided by SAFA concluded that the risk of claims was remote. It also became clear that a general provision in the liability section of the balance sheet for the purpose of recognising non-specific risks was not consistent with Statements of Accounting Concepts 4. In other words, SAFA's accounting was considered to be too conservative.

I have heard the Opposition describe these items as 'accounting fiddles'. Rather than being 'fiddles', these matters have been accounted for in strict accordance with relevant accounting standards. If SAFA did not follow accounting standards, its accounts would be qualified by its auditors.

Secondly, I will touch on interest rates. Reductions in interest rates generally have made it possible to reduce SAFA's common public sector interest rate from 14.2 per cent in June 1991 to an expected average rate of 11.8 per cent for 1992-93. The Opposition has claimed that SAFA is overcharging its borrowers because the common public sector interest rate is above current market rates. The

Opposition is making a simple mistake in comparing the CPSIR to today's borrowing costs.

The CPSIR is based on the average yield on virtually the whole of the State's debt (which has been acquired over time from various sources—including the Commonwealth Government, the finest borrower in the land). This cannot be compared with today's costs of borrowing, which are at their lowest levels since the 1970s. It is impossible for SAFA to turn over the whole State's debt portfolio to achieve today's costs instantaneously. The simple facts are these:

- SAFA manages its debt in a professional manner—like its counterparts in other States and major investment fund managers—and it has been able to ensure that, over time, the CPSIR has tracked market movements relatively quickly despite the magnitude of debt portfolio for which it is responsible;
- SAFA has, over the course of 1992, increased the portion of its debt that is exposed to the very low short-term rates that are currently available; this has helped reduce the CPSIR quickly and the beneficial effects are reflected in the budgeted interest costs for 1992-93 of the Government and those semi-government authorities which borrow from SAFA at the CPSIR;
- SAFA can (and does) borrow at the current relatively low rates available in the marketplace, and suffers no major disadvantages *vis-a-vis* its interstate counterparts. Its shorter-term securities attract virtually identical yields as other States—that is, about 6 per cent per annum. The costs on its longer securities (around 10 per cent) are the same as, or better than, those of other semi-government bodies with similar credit ratings;
- the 11.8 per cent average CPSIR forecast for 1992-93 is not fairly comparable with today's market rates or with the costs of interstate authorities borrowing today.

It is also worth noting that—

The Hon. DEAN BROWN: Mr Chairman, the allocated time for any opening statement is 10 minutes. I have been looking at the clock and the Minister's 10 minutes is up, and I see that the Minister has at least another two pages to go. This is absolutely ridiculous. We are prepared to accept the statement as tabled and the Minister has had his 10 minutes for opening comments.

The CHAIRMAN: There is no point of order. If the Leader of the Opposition listened to the Chair this morning he would have heard that I proposed that there could be opening statements from the Leader of the Opposition and the Minister at the table—

The Hon. DEAN BROWN: Up to 10 minutes.

The CHAIRMAN: —up to a maximum of 15 minutes. The Deputy Premier can proceed.

Mr S.J. BAKER: I also rise on a point of order. Much time has been taken up in these Committees. We are dealing with one set of Treasury lines and we should have had an opening statement that should have applied for the rest of the day. We should not have this continual interruption of statements being made by the Minister when they are long and when they can be tabled and read by members later. It eats into the questioning time.

The CHAIRMAN: There is no point of order.

Mr S.J. BAKER interjecting:

The CHAIRMAN: Order! The Chairman is responding to one point of order. The fact is that the Committee has chosen to break these matters into various segments and it has given the Minister the opportunity to make an opening statement in respect of each matter.

The Hon. DEAN BROWN: There can be only one opening statement for each vote. We have not yet taken a single vote, but we have had a series of opening statements from the Minister which, collectively, have taken well over 15 minutes, this opening statement alone taking 10 minutes. The Minister is deliberately taking up time. He himself has referred to repeated questions, but the Minister has wasted more time today than anyone else by reading out information which is contained in annual reports and which could easily be tabled. I ask the Minister to table his statement; we will accept it and we can proceed from there.

The CHAIRMAN: The Chair has not strictly applied the rules in dealing with the proposed payments because of some difficulties in those areas. If the Chair had done so, I suggest there would have been difficulties for members on both sides of the Chamber. The Chair has been very tolerant towards all members of the Committee. If the Minister wishes to table this document, he may do so. If the Committee disagrees, the matter is in the hands of the Committee.

The Hon. Frank Blevins: We have accommodated members of the Opposition and given them whatever time they require on any particular item. If the material contained in the annual reports was banned from this Committee, there would have been very few questions from members opposite. However, in the spirit of cooperation for which I am known, I seek leave to have the remainder of my opening statement inserted in *Hansard* without my reading it.

The CHAIRMAN: The Chair is prepared to accommodate the Minister. The Leader of the Opposition.

The Hon. DEAN BROWN: I refer to program three under the heading 'Management of State Government borrowing and investment activities' and specifically to page 41 of the SAFA annual report and page 58 of the SGIC annual report. What is the estimated holding cost for 333 Collins Street for 1992?

The Hon. Frank Blevins: Dr Bethune has that figure at his fingertips.

Dr Bethune: Obviously, any figure must be an estimate because it is based on budgeted figures for the whole of 1992-93. At this stage, it is estimated that the holding cost for the full year is approximately \$36 million.

The Hon. DEAN BROWN: As a supplementary question, what consultancy agreements are currently in place for the management of 333 Collins Street and what is their annual cost?

Dr Bethune: Earlier in the Committee's deliberations, the names of the property management and leasing organisations were mentioned. Previously, Baillieu Knight Frank was involved, but Jones Lang Wootton will now be responsible for both the leasing and management of the property. The leasing consultancy is determined purely on a success basis. I do not have the figures in terms of the management cost at my fingertips, but they can be obtained.

The Hon. DEAN BROWN: Is it expected that SAFA will provide funds to Collins Street Properties Pty Ltd during 1992-93 and, if so, for what purpose?

Dr Bethune: SAFA will provide funds effectively to meet the cash shortfall; so the overall holding cost, as I mentioned, is \$36 million.

The Hon. DEAN BROWN: Has a market-to-market analysis of SAFA investments been undertaken recently and, if so, what was the result?

Dr Bethune: There has been no market-to-market analysis of SAFA's portfolio. However, there has been a market-to-market analysis of the portfolio of the South Australian Finance Trust, a SAFA affiliate. The result of that analysis was that SAFIT had an estimated positive net worth of \$163 million as a result of the market-to-market exercise, which is significantly higher than the book value of SAFIT's net worth.

The Hon. DEAN BROWN: Would it be appropriate to have a market-to-market analysis of SAFA's assets?

Dr Bethune: Page 4 of SAFA's annual report refers to planned future developments and priorities for SAFA, as follows:

SAFA's core activity is public sector debt management. In the past, the emphasis in debt management has been on minimising the cost of each type of borrowing within an overall policy of close adherence to a benchmark interest risk profile. The current interest rate environment justifies a more active debt management policy, and this requires enhancement of debt management systems so that it is possible to readily revalue SAFA's net debt portfolio on a regular basis to measure performance—

that is, market-to-market on a regular basis—

This is a major priority and it is expected that this will be achieved during 1992-93.

The Hon. DEAN BROWN: When is the Government Management Board inquiry into SAFA expected to report?

The Hon. Frank Blevins: There is no indication yet. That matter is not within our control but I will try to find out for the honourable member.

Mr HERON: Have there been any developments in SAFA's domestic and offshore borrowing programs during the year of which this Committee should be aware?

Dr Bethune: SAFA continued to be an active borrower in domestic and offshore financial markets in 1991-92. We issued fixed interest inscribed stock and promissory notes and inflation linked securities in domestic markets. In terms of domestic inscribed stock, we established two new benchmark stocks in 1991-92 for 1994 and 2003 to facilitate our debt management. They were launched by what is called a bought yield process. This is an innovation for SAFA, the first time it has been done by a central borrowing authority, and it enabled very large liquid lines of stock to be achieved very quickly. In both cases, it was possible to achieve lines of stock of \$500 million in a very short time.

Overall, the bought yield concept was very helpful in launching the stocks. In terms of shorter borrowing, promissory notes played a very important part in our funding operations in 1991-92. This is partly reflected in the current shape of the yield curve. In 1991-92 we issued almost \$3 billion in promissory notes at face value. That was lower than last year's figure, but the average daily outstandings figure was somewhat higher at about \$1.18 billion for 1991-92.

During the year we also increased the amount of inflation indexed securities we issued. We raised roughly \$300 million compared to \$36 million the year before. The inflation index market has been growing very quickly for a couple of reasons: first, because of the way in which the Commonwealth Government is encouraging pensions and annuities rather than lump sum superannuation payments and, secondly, because of the development of a new product called 'inflation index annuities', which has replaced capital indexed bonds as the most traded security in the market. A more active secondary market in inflation indexed bonds developed in 1991-92.

It was possible for SAFA to establish a panel of financial market intermediaries to distribute SAFA stock, and that was also a first. One of the major developments in that market in 1991-92 was a major fall in real interest rates. The SAFA bond program in the retail market also did quite well in 1991-92. Overseas we made five public bond issues and we also launched a US dollar/commercial paper program. The aim in recent years has been to expand SAFA's overseas borrowing programs. In 1991-92 we achieved a saving of \$6 million below domestic borrowing costs.

Mr HERON: Will the Treasurer explain the early repayment and waiver of Commonwealth debt by SAFA that was mentioned in the annual report?

The Hon. Frank Blevins: I certainly can, again in great detail. However, I think it would perhaps be better paraphrased. If the Committee wants an expansion on any of these issues, that can be done. Some of the questions, by their very nature, have to be answered at some length. I believe the answers are valuable to people who wish to understand SAFA's operations more fully. I will ask Dr Bethune to paraphrase what has been occurring in relation to the early repayment and waiver of some Commonwealth debt.

Dr Bethune: As the Committee would be aware, virtually all South Australia's debt, including debt to the Commonwealth under the financial agreement, has been taken over by SAFA. SAFA has made voluntary debt repayments over a number of years, and this practice has also been carried out by other States. In more recent years a general arrangement has been entered into with the Commonwealth whereby the States will become responsible for the refinancing of Commonwealth debt that had previously been borrowed on their behalf as it matured. In that case the States are compensated by the Commonwealth for the cost of higher borrowings.

A special debt extinguishment package was agreed to in 1990-91. As reported in this year's SAFA annual report, the previous SAFA annual report and in the Auditor-General's Report, SAFA made a net payment of \$110.2 million to the Commonwealth in June 1991 to be applied towards the reduction of housing debt. The debt involved is long-term concessional interest rate debt under various Commonwealth-State housing agreements. The detailed accounting, legal and other arrangements had not been fully resolved as at 30 June 1991, and the payment was recorded in SAFA's accounts as a current asset prepayment. The way that the transaction should be treated was resolved during 1991-92 and it resulted in the extinguishment of \$357.7 million of debt.

Accounting standards require the difference between the application of the current debt extinguished and the amount paid to the Commonwealth of \$247 million to be treated as an abnormal income item for SAFA. That is fully explained in SAFA's annual report. The arrangements resulted in a present value benefit to the State of \$50 million, using interest rates applying at June 1991. The gain would be approximately \$80 million if interest rates applying at June 1992 were used.

The Hon. DEAN BROWN: Under program 3, SAFA's overseas borrowings at June 1992 stood at \$4.2 billion with about 70 per cent in long-term borrowings. What is the effective average rate of interest and average term of those borrowings?

Dr Bethune: I am afraid that I do not have a copy of the Program Estimates in front of me.

The Hon. DEAN BROWN: I am quite happy to have the information supplied later. To whom was the \$375 million in interest on overseas borrowings paid in 1991-92?

The Hon. Frank Blevins: I am sorry, I did not hear the question.

The CHAIRMAN: Perhaps the Leader would like to ask the question again.

The Hon. DEAN BROWN: Which one?

The CHAIRMAN: The first one.

The Hon. Frank Blevins: You are supposed to be asking only one question at a time.

The CHAIRMAN: Yes, indeed. It is a bit difficult for the Chair. If the honourable member were to direct questions through the Chair, it would be a lot easier.

The Hon. DEAN BROWN: I was asking about SAFA's overseas borrowings as at June 1992. They were almost \$4.2 billion, with about 70 per cent in long-term borrowings. The question was: what is the effective average rate of interest and average term of those borrowings?

The Hon. Frank Blevins: I will get that information for the Committee.

The Hon. DEAN BROWN: The second question was: to whom was \$375 million in interest on overseas borrowings paid in 1991-92?

The Hon. Frank Blevins: Again, if that information is available, I will supply that to the Committee.

The Hon. DEAN BROWN: What is SAFA's estimate of overseas borrowings and the interest to be paid on them in 1992-93?

The Hon. Frank Blevins: Again, I will get that information.

The Hon. DEAN BROWN: The second line of questions is: how many overseas loans returned—

The CHAIRMAN: The Chair has been most generous to the Leader of the Opposition in relation to the line of questioning. If the honourable member is going to pose questions like that, they should be posed one at a time, as he has just done. The Leader has just asked three questions. The Chair will be tolerant and will take another question from the Leader of the Opposition.

The Hon. DEAN BROWN: Thank you, Mr Chairman. How many overseas loans with terms of five years or more have been negotiated in the past two years at interest rates now higher than those prevailing on the domestic market and what is the value of those loans?

Dr Bethune: We can certainly make some general comments about that.

The Hon. Frank Blevins: Dr Bethune is in a position to make some comments on that question.

Dr Bethune: A number of points can be made. First, SAFA continually makes debt management decisions about how much it ought to borrow at a particular point in time and on what basis. That is done with respect to our benchmark and the details of that are set out in the annual report. Since early this year, with the fall in domestic interest rates and the steepening of the yield curve, we have been moving our borrowing much shorter than it was before. That is mentioned in the annual report.

At any point in time there is a question about how much will be borrowed domestically and how much will be borrowed offshore. Of course, it is very difficult to tell at the beginning of the year what the likely opportunities will be for borrowing offshore. So, the relevant question to ask at any particular time is: what will it cost us to borrow domestically and what will the cost of borrowing offshore be by way of comparison?

The nominal maturities of SAFA's recent offshore borrowings are mentioned in the annual report. Of course, many of those are swapped into floating rates. That has certainly been the case over the past few months. We can obtain details on the precise situation. Of course, SAFA has also been increasing its facilities for borrowing commercial paper offshore and, particularly, through the establishment of a program in the United States. Those funds are borrowed, by definition, on a very short-term basis. So, again, the purpose is to take advantage of low short-term interest rates. However, further information can be provided in relation to that area.

Mr De LAINE: My first question relates to asset quality. What steps does SAFA take to ensure that its investments are of adequate quality?

The Hon. Frank Blevins: As demonstrated by the asset quality table on page 23 of the annual report, about 60 per cent as at 30 June—the majority of the assets held by SAFA and its affiliates—are comprised of loans and capital in South Australian public sector entities (Government and semi-government) and related financial institutions. A further 20 per cent of total assets as at 30 June 1992 was invested in securities issued or guaranteed by Commonwealth, State, Territory and local Governments. Domestic and foreign bank securities represented about 9 per cent of total assets as at 30 June 1992. The balance of assets (around 10 per cent) include investments in mortgage-backed securities, properties and equity investments.

As can be seen in the summary on page 24 of the annual report, the main change in the composition of assets between June 1991 and 1992 is an increase in the holdings of Government-guaranteed securities and an offsetting decrease in the level of bank securities held. Another important feature is SAFA's credit guidelines. Investments by SAFA are made subject to credit guidelines approved by the board and the Treasurer. Credit guidelines were last comprehensively reviewed during the first half of 1991-92. Credit limits are established with reference to credit ratings assigned by major credit rating agencies (Standard and Poors Australia Ratings for domestic entities and Standard and

Poors Corporation or Moody's Investor Service for overseas entities), although ratings alone do not determine applicable credit limits. That is an indication of the stringencies that SAFA operates under as regards credits.

SAFA also ensures that its exposures are principally in the A rating category. I think that demonstrates the conservative nature of the investments that are made. The final test of SAFA's management of the State's funds is that none of its assets was classified as non-performing as at 30 June 1992.

Mr De LAINE: What benefits has the State derived from structured financing transactions undertaken by SAFA?

The Hon. Frank Blevins: SAFA has participated in a number of structured financing transactions since 1984. These are generally recorded in SAFA's annual reports. A full list of asset-backed transactions is provided in this year's annual report. The total benefits which will accrue from these transactions, generally measured at the time that each was undertaken, is estimated to be close to \$200 million. The total benefits, measured in real terms as at June 1992, would be significantly greater. I think that the Committee would agree that these structured transactions, if approached with prudence, are very beneficial to the State. Again, I think the test of that was that the first one was entered into by the Tonkin Government, and I think every other State Government makes similar arrangements, as do Commonwealth entities. It is a means of raising finance that is a better deal for South Australia and South Australian taxpayers.

Mr De LAINE: This question is of particular interest to me because it is an important part of the State's infrastructure and it is in my electorate. Can the Treasurer summarise the benefit to SAFA arising from the termination of the Torrens Island Power Station financing transaction; and is the Treasurer in a position to disclose the names of the other parties involved in this transaction?

Mr Emery: This matter is referred to in considerable detail in SAFA's 1991-92 annual report, and I refer the Committee to pages 12 and 13. The names of the investors were the subject of normal commercial confidentiality, but, following the unwinding of the transaction, we have obtained the permission of the investors to release their names. They were AMP, National Mutual and Colonial Mutual Life, which are three of the largest life insurance companies in the nation. The transaction has been terminated on a basis that leaves considerable financial benefits to South Australia, most of which have accrued to and remain in the Electricity Trust's accounts.

Mr S.J. BAKER: As an allied question to the last one, I know that the benefits have been measured in terms relating to the interest rates that applied at the time. How do they relate now, given that these were long-term structured deals, to the interest rates which prevail in the market today; and would we make a loss in today's conditions?

The Hon. Frank Blevins: It is clear that at various points in the year decisions have to be taken as to when to raise funds. Without the advantage of a crystal ball, one has to make decisions on the day on the information that one has available on that day. It is no good saying that in five years interest rates may have dropped or

increased; that is pointless. The question, with respect, is utterly meaningless. When I bought my house interest rates were very high. Perhaps I should not have bought it; I should have waited another 20 years until they were low. Obviously one cannot do that. We cannot give a meaningful answer to a question that essentially is meaningless, unless I have misunderstood, but I shall be very happy for the member for Mitcham to rephrase the question in order to see whether there is any answer that I can give.

Mr S.J. BAKER: Without going on with it, there is a big difference in where one locks in and for what term. I take note of the previous statement made by Dr Bethune when he was talking about going short in the market. I trust that we are now going long in the domestic market because of the present state of interest rates. What personal group makes the decision to borrow short or long domestic or overseas and who is responsible for overseeing and reviewing this process? I note that we were borrowing on overseas markets and increasing our overseas debt. This is in the SAFA annual report at page 11. At a time when interest rates were tumbling we were locking ourselves in on seven and 10-year loans at rates which are now much higher than market rates. I refer, for example, to the Euro 125 10.5 per cent notes issued in November 1991 and maturing in 1998 and being managed by Hambros Bank Limited. I understand that decisions have to be made and that a punt has to be taken in some cases, but who makes the decisions and oversees the process?

Mr Emery: To give a broad overview, the SAFA board and the Treasurer each year review the overall financing strategy of SAFA, and that is subject to a mid-year review as well. Within the terms of those approvals, decisions on debt management are made by a debt management committee, comprising myself and other senior officers of SAFA, on the basis of detailed analysis prepared by management. SAFA board members are regularly provided with the information and analysis and sometimes they attend those debt management meetings. Basically, the decisions week by week are made by that debt management committee within approvals given by the Treasurer and the SAFA board.

Mr S.J. BAKER: As a supplementary question, is there an outside authority that looks at those decisions? We cannot have hindsight in these circumstances—it would be nice if we could. In terms of good business practice and how we minimise the losses if there are sudden changes in interest rates, does any outside authority review those practices?

The Hon. Frank Blevins: SAFA is subject to the scrutiny of the Auditor-General, and the Government Management Board at the moment is looking at the significant statutory authorities, including SAFA. If the Auditor-General or the Government Management Board thought there was something wrong with SAFA's debt management strategies or investment strategies, they would say so. However, again the test is the comparison with similar organisations interstate. If SAFA was consistently performing below the level at which similar organisations interstate were performing, quite clearly that would be reflected both in the marketplace and by screams from the Treasurer and elsewhere. Of course, that has not been the case. As far as I am aware, SAFA's

performance is comparable with that of similar organisations. From memory, the average length of SAFA's debt is under three years, so it is a fairly short period.

Mr S.J. BAKER: I simply make the observation that the current borrowing rate is the highest of that of any Government authority in Australia, at 11.8 per cent. The 1 per cent margins are the highest of those of any Government authority in Australia. For example, the 1 per cent margin is far higher than the margin of TCorp, with a maximum of .6 per cent, and I would have thought that the prospective interest rate for SAFA would be much lower than 11.8 per cent, given that you talk about an average three year curve. If we look at the average three year bond rates, we are talking about just over 8 per cent, but this is 11.8 per cent. Given that we have a huge turnover in borrowings this year and the next financial year, I would have thought that our borrowing rate would be much lower than 11.8 per cent. That is just an observation.

The Hon. Frank Blevins: I would like to respond to that observation if I may. It seems to me that, when we have rapidly reducing interest rates, regarding the people who borrow over at least the medium term, quite clearly at some stage of that curve the rates offered will be ahead of or above the market. I do not think there is any mystery about that; commonsense tells us that. But the reverse can apply, and there is no doubt that, if interest rates go up very quickly after a sustained period of low interest rates, people who use the common public sector interest rate will think it is Christmas, because they will be still getting relatively low interest rates when the market is charging high rates. So again we must look at the performance over a significant period when there have been fluctuations. On all those measurements, my understanding is that SAFA has performed very well. Some agencies in Government are entitled to go to SAFA or elsewhere, and they choose to go to SAFA.

I give credit to the former Tonkin Government for being in at the concept and birth of SAFA. It is clear that, if we are marshalling funds on a significant scale, we are able to trade in the market to the advantage of small borrowers. It is that margin, generally speaking, that is being passed on to people who borrow through SAFA, and the Tonkin Government was dead right. It has been proved to be absolutely correct. There is nothing magic about it, and I congratulate it. A number of institutions are doing well, but if one is doing extremely well, it is SAFA. Again, on these issues, I am very happy to offer briefings to any individual member of the Committee or any Party groupings so that SAFA can go through chapter and verse with them. There are no secrets or mysteries, but there is a lot to be proud of.

Mr S.J. BAKER: When did the Australian Loan Council approve the special addition of \$1 700 million to the State's global borrowing limit?

The Hon. Frank Blevins: I do not have the date available, but it was sometime in June this year. I will find out the precise date for the Committee.

Mr S.J. BAKER: Do the infamous off balance sheet companies—Cutter, Douse and Dinghy—involved with the \$407 million forest asset financing deal still exist, and why are those details not contained within the SAFA report?

The Hon. Frank Blevins: Dr Bethune can respond to that question.

Dr Bethune: Those companies are no longer owned by SAFA. However, one of them—and I cannot remember precisely which one—does have a SAFA officer as a director. As has been mentioned, the company is involved as part of the structure for the forestry deal, and the reason for having a SAFA officer as a director is to protect the State's interest in the arrangement.

Mr S.J. BAKER: Can the details of what is left of those three entities be provided to the Committee?

Dr Bethune: They are no longer owned by SAFA, so there is no connection with SAFA in terms of ownership. As I have mentioned, the only connection is that one Treasury officer is a director of one of them.

Mr S.J. BAKER: Was the special deal transacted with the full knowledge of the Australian Taxation Office?

The Hon. Frank Blevins: Dr Bethune will advise the Committee whether or not it was.

Dr Bethune: Is this a reference to the forestry transaction?

Mr S.J. BAKER: Yes.

Dr Bethune: There are no taxation aspects involved so far as SAFA is concerned.

Mr S.J. BAKER: What is the effective rate of interest that applies to that defeasance?

Dr Bethune: I do not have those figures at my fingertips. Certainly, the overall benefit to the State has been referred to in previous SAFA annual reports and, quite possibly, in previous Estimates Committee hearings, but we can get the information.

Mr S.J. BAKER: The Committee has not been told the effective interest rate, so this will be a new piece of information. Since becoming the Acting Treasurer, has the Deputy Premier sought a briefing on whatever SAFA is required to report to the Auditor-General and in its own annual report on transactions involving debt forgiveness?

The Hon. Frank Blevins: I am not the Acting Treasurer, and I am not clear about what the question means.

Mr S.J. BAKER: Has the Minister, in his capacity of Minister of Finance, sought a briefing with SAFA on the reporting requirements to the Auditor-General and, in terms of the annual report, on transactions involving debt forgiveness? I will be more specific. Has the Minister of Finance sought an explanation from SAFA as to why the \$2 million in debt forgiveness to the State Bank to consummate the secret 1989 election subsidy deal was not disclosed publicly by SAFA until the matter was raised at the royal commission? Has the Minister sought details on this matter?

The Hon. Frank Blevins: No; I would have thought that that issue has been canvassed extensively in the royal commission, and I assume that the Royal Commissioner will make statements about that. SAFA was always under the Treasurer. As Minister of Finance, I would not have queried SAFA. SAFA did not come within my area of responsibility; it was the Treasurer's area of responsibility.

The Hon. DEAN BROWN: Given that we are dealing with SAFA, were any of the officers currently sitting at the table with you involved in, or did they have

knowledge of, that \$2 million write-off and, if so, why was it not revealed to this Parliament either in the annual reports of SAFA or by some other means?

The Hon. Frank Blevins: I would imagine that that is a completely incorrect statement. As I have read in the newspapers, in reports from the former Treasurer and in the royal commission, it was shown in SAFA's accounts. It would have to have been shown in SAFA's accounts. It was there. Whether or not it was particularly highlighted is another question, but it would certainly be there in SAFA's accounts, and in its annual reports it would be reflected in the figures.

The Hon. DEAN BROWN: Minister, I come back to the pertinent point, which you keep dodging, I suspect for political reasons: why was not the \$2 million used as an offset to hide the holding of interest rates in the State Bank revealed to this Parliament in the SAFA report? It is a matter of some substance. It involved direct political interference, as we know from the royal commission, and I would like to know whether any of the officers sitting with you at the table were involved in that and, if so, why it was not revealed to the Parliament.

The Hon. Frank Blevins: I am not sure whether this Committee is the appropriate place to make—

The Hon. DEAN BROWN: I think it is a very appropriate place, Minister. This is the ultimate body.

The ACTING CHAIRMAN (Mr Heron): The Minister is replying through the Chair.

The Hon. Frank Blevins: I am not sure whether this Committee is the appropriate place to be making political statements about something that is a matter for the royal commission and is before the royal commission. If the Leader is suggesting that this \$2 million was not reflected in SAFA's accounts, I can tell him he is wrong.

The Hon. DEAN BROWN: I point out that this Parliament and this Committee is a very appropriate place. We have the right to ask questions. The matter was revealed before the royal commission, but it was not in the terms of the royal commission. It is this Parliament that has the ultimate say and decision on the appropriateness of any action taken, but there is an obligation on all officers, and particularly on SAFA officers, and State Bank officers, to reveal such matters. I am simply asking the question. I again ask for an answer: why was that not revealed in the annual reports or revealed to this Parliament?

The Hon. Frank Blevins: Again, the issue that the Leader is getting excited about has to my knowledge been hashed, rehashed and thrashed in the media for the past 12 months. The previous Treasurer has been cross-examined extensively on this in the royal commission, including by a QC, paid for by the taxpayers, representing the Leader of the Opposition. I would have thought—

The Hon. DEAN BROWN: We want answers: we do not want your political explanation.

The ACTING CHAIRMAN: Order!

The Hon. Frank Blevins:—that all that was to be said about the issue has probably been said, other than when the Royal Commissioner reports. All of us look forward to that report and, particularly on this issue, it will arouse a great deal of attention, as it should. If the Opposition (the Leader was not here) thought that the proper place to investigate that was the Parliament rather

than the royal commission, the then Leader ought not to have called for the royal commission. It was the then Leader who called for a royal commission; it was not the Government or the masses out there. In fact, one newspaper opposed it very strongly. It was the Opposition who called for the royal commission, it got its royal commission and it ought to wait until the royal commission has reported. Again, the \$2 million (if that is the figure) was reflected in SAFA's annual report.

The Hon. DEAN BROWN: Where?

The Hon. Frank Blevins: In the figures.

The Hon. DEAN BROWN: Come on, pull the other leg. Even in the royal commission—

The ACTING CHAIRMAN: Order! The Leader of the Opposition.

The Hon. DEAN BROWN: Mr Acting Chairman—

The ACTING CHAIRMAN: Order! I point out that the Leader of the Opposition has asked three questions on this subject.

The Hon. DEAN BROWN: I move:

That this Committee ask SAFA to table all relevant documents referring to the offset of \$2 million and that those documents be tabled within the appropriate time.

The Hon. Frank Blevins: Can I make a comment on that?

The CHAIRMAN: The honourable Treasurer.

The Hon. Frank Blevins: All these documents are already in the possession of the Opposition.

The Hon. DEAN BROWN: We have a motion before the Chair, and I believe that motion should now be put.

The CHAIRMAN: I understand. The Chair has been very tolerant all day and I have taken note that the Leader has moved the motion, but the Treasurer wants to make a contribution, and I ask that it be short. We will discuss the motion before the Committee. The Treasurer.

The Hon. Frank Blevins: All those documents have been tabled at the royal commission; they are in the possession of a QC, paid for by the taxpayer but reporting to the Leader of the Opposition. Do we have to go to all the trouble of getting those documents again to give the Leader of the Opposition another set when they have already been given to his lawyer at the royal commission? We do not need a resolution, and I will probably oppose the motion. Those documents have been given to the royal commission on this issue and the Leader of the Opposition already has them. If he wants another set, would he please give them to me and I will photostat them for him. Alternatively, I will see what was tendered to the royal commission on this issue and photostat a set myself and give them to him. He will then have two. I cannot really see the point but, if it means we make some progress on this Committee, I am prepared to do that.

The CHAIRMAN: Does the Leader of the Opposition still want to proceed with the motion?

The Hon. DEAN BROWN: Yes, Sir.

The CHAIRMAN: The situation as I understand it is that the motion can be moved, seconded and debated at length by the Committee. Does the Leader wish to proceed with his motion?

The Hon. DEAN BROWN: Yes, I do, as I have said twice. I do not believe there is any point in debating the matter here. We know what we are about. I have simply moved a procedural motion—

The Hon. Frank Blevins: I would like to see it in writing.

The Hon. DEAN BROWN: We want all those documents tabled before the Committee.

The Hon. Frank Blevins: Can we see the motion?

The CHAIRMAN: Will the Leader bring his motion before the Chair in writing.

The Hon. DEAN BROWN: I do not think it involves the Minister at any rate, because he is not a member of the Committee. The Minister has no right to ask for the motion—

The Hon. Frank Blevins: I am sure my colleagues would want to see it.

The CHAIRMAN: All members are entitled to know what the motion contains. The Chair is not clear on the matter. I would like to see the motion, and all members, including the Minister, will have the opportunity to discuss the matter at length.

Mr BRINDAL: On a point of order, Mr Chairman, the Minister is a witness before the Committee; he is not a member of the Committee. This is a matter for the Committee and not a matter for the Minister.

The CHAIRMAN: The honourable member is incorrect. In any matter discussed before the Committee the Minister has the opportunity to discuss it. He does not have a vote, but he can make a contribution.

Mr BRINDAL: I do not like to disagree with you, Mr Chairman, but I refer to Standing Orders, which say that membership consists of seven members. There are seven members, including the Chairman. The Minister is not a member of the Committee. The Minister is entitled to answer questions, but that is all he is entitled to do.

The CHAIRMAN: My advice is to the contrary and I rule that way. If the honourable member wants to disagree with the Chair, that is his decision.

The Hon. DEAN BROWN: While the motion is being prepared, I would come back to your ruling. Did you rule that the Minister is a member of the Committee?

The CHAIRMAN: I am saying that so far as I am advised the Minister involved in the Estimates Committee can make a contribution to the Committee.

The Hon. DEAN BROWN: But he is not a member of the Committee.

The CHAIRMAN: I did not say he was a member of the Committee, as such. The Committees were set up when the Leader was a member of a previous Government, and that has been the case since then.

The Hon. DEAN BROWN: Under the rules that applied then no Minister could interfere in a vote.

The CHAIRMAN: I am not suggesting that the Minister can interfere in the vote: I am suggesting that the Minister will have the opportunity to make a contribution.

The Hon. DEAN BROWN: Surely not in a procedural debate.

The CHAIRMAN: In all debates. That has been applied ever since the Committees were set up.

The Hon. DEAN BROWN: I move:

That this Committee resolves to require the Deputy Premier to produce all papers related to SAFA's deal with the State Bank and the Premier to provide \$2 million as a debt offset in order to freeze interest rates prior to the 1989 State election.

It is obvious why we are calling for these documents and why the matter has been raised before the royal commission by the commission's own counsel today. In

talking about the political move undertaken by this Government to freeze interest rates and the manner in which that \$2 million was offset, I cannot talk about what goes on in a royal commission in this place because it would be inappropriate to do so.

This Parliament is the master of its own affairs and has the right to have all those relevant documents tabled here. I have moved the motion so that we can examine those documents ourselves. I believe it is time that the truth on this matter was revealed. The Deputy Premier, who is the Minister now before us, has refused publicly to answer whether or not he knew of this matter. Other Ministers have refused to answer whether or not they knew of this matter before it was revealed in the royal commission. We are assured by the new Premier that he did not know about it until it was revealed in the royal commission.

I am interested to know when the Minister did know about it and whether or not it was discussed at any stage, not necessarily in Cabinet but outside of Cabinet. Three or four months prior to an election, interest rates are suddenly moving up throughout the whole of Australia and miraculously the State Bank of South Australia says it will hold its interest rates, not for one month or two months but for four months, during a period when all interest rates are rising.

Can members imagine the Premier not explaining to the Ministers, who sit there with their mouths open, why interest rates were not rising and why the State Bank miraculously could have held those interest rates for that period? Any Cabinet worth its salt would have asked why, and I am sure that any Premier worth his salt would have explained why, but we are led to believe by the new Premier, and I have a great deal of difficulty in accepting and believing it, that the matter was not canvassed at some stage before Cabinet.

I bet it was certainly canvassed outside of Cabinet. In fact, I am told by people who have been involved in discussions around the halls of Government in the State Administration Building that all senior public servants knew, prior to its coming out in the royal commission, that this freeze had been imposed and that a \$2 million deal had been done as part of it. If senior public servants knew about it, surely the Ministers knew about it.

It is about time the truth on this matter came out. It is about time that the Minister before us revealed that truth. There is an equal obligation on all officers, particularly those appearing before this Parliament this afternoon, to reveal what knowledge they had on this matter. Therefore, I have pleasure in moving this motion.

The CHAIRMAN: Is the motion seconded?

Mr S.J. BAKER: Yes, Sir. Much of it has already been said. However, it should be borne in mind by the Committee that, whilst papers have been presented to the commission, no papers whatsoever have been brought forward by the Premier's Department, so all we have is the information related to the State Bank. We do not have detail from where it seems to have emanated, that is, from within the province of the former Premier, and we believe it is appropriate for this Committee to know the truth.

The Hon. Frank Blevins: I would like to comment on the motion. I believe the motion ought to be defeated, but I make it clear that I will provide those papers that have been provided to the royal commission—

Members interjecting:

The CHAIRMAN: Order!

The Hon. Frank Blevins:—whether or not the motion is carried. The offer that was made 20 minutes ago, before the histrionics of the Leader, is still there. I will find out what papers were published by the royal commission.

With regard to the moving of the motion, the Leader got into the politics of the issue by suggesting that I have not answered the question. If the Leader had asked the question in the Parliament last week or even now I would be only too happy to answer it for him. However, I would have thought that the answer to the question about Cabinet's knowledge was fully covered by the former Premier and by the present Premier. If the powers of deduction of the Opposition are not sufficient for it to arrive at an answer for me, then all the Leader has to do is ask me and I will tell him.

As I have said, I believe this motion is nonsense and ought to be defeated by the Committee, but in any event I will obtain another set of those papers for Opposition members. Even if they have a set already, which they have, I will obtain another one for them.

Mr De LAINE: The Deputy Premier has indicated that these papers have been distributed to the Opposition. I have complete confidence in the Deputy Premier, and for that reason I will oppose the motion.

Mr BRINDAL: I am disappointed in the member for Price's comments. The Deputy Premier did not say that the Opposition has a copy—I certainly do not. He said that certain papers have been provided to the royal commission. This Parliament and this Estimates Committee have a right to call for papers. That matter was resolved by this House on the motion of the member for Hartley. This Committee has moved a motion through the Leader of the Opposition requiring the production of papers. As the Leader of the Opposition interjected, we have no guarantee that the papers produced to the royal commission were all, some or a selection.

The House is in charge of its own destiny and has a perfect right to require the production of these papers. I am disappointed with the member for Price's comments, because I would have thought that he would think more of the institution of Parliament than to allow our rights to be walked all over by a Deputy Premier who seems to think he can say what he likes and get away with it.

Mr QUIRKE: The comments of the member for Hayward were not only uncalled for but strike at the very heart of why the Estimates Committees have been set up. I understand that the Estimates Committees were set up some years ago by the Tonkin Administration. I understand further that a great deal of expense and effort has gone into the royal commission in this State. The Liberal Party was represented at public expense at the royal commission, as were the other participants. The royal commission has had a free rein for the past 18 months to investigate this and other matters. The summing up is now being conducted before the royal commission, and I believe this Government has been forthcoming in providing information when it has been asked for by the commission. This is a simple ploy, although I do not understand the Opposition's tactics. I would have thought that a typed motion rather than

something that is almost illegible would have been handed to the Committee.

Members interjecting:

The CHAIRMAN: Order! The Opposition members have been heard in silence, and I ask them to extend the same courtesy.

Mr QUIRKE: If the proposal was presented so that the Committee could look at it in grammatical sense, that would have made a considerable difference. It is my view that what the Opposition is asking for is every document that appears before Cabinet. I am satisfied with the Minister's explanation, and I hope that next time we will be given the courtesy of not only being given the motion—this one had to be extracted like a dentist pulling teeth—but one that is at least legible.

Mr S.J. Baker interjecting:

The CHAIRMAN: Order!

The Hon. DEAN BROWN: Members opposite have said that we have had access to the documents tabled before the royal commission, and the Minister has offered to table all those documents, but the simple fact is that we do not know—in fact, we have severe doubts—whether the Royal Commissioner even asked for these documents or whether all the documents were tabled. We understand that no documents have been forthcoming from the Premier's Department in relation to this matter. The Deputy Premier has said that he is willing to table all the documents, not just the ones before the royal commission. If that is the case, why is the motion objected to? If the Minister is prepared to table these documents, why does he not support this motion? One can only assume that very important and relevant documents are being hidden within the Government, and that is exactly why I have moved this motion: to make sure that, as the Royal Commissioner did not have the terms of reference to specifically investigate this matter—

The Hon. Frank Blevins: Rubbish!

The Hon. DEAN BROWN: The Minister says, 'Rubbish', but the terms of reference of the Royal Commissioner did not specifically refer to this matter, because it was not even known at that stage, at least to the majority of us—it might have been known to the Minister but not to the rest of us—

Members interjecting:

The CHAIRMAN: Order! Interjections are out of order.

The Hon. DEAN BROWN: If this Committee is willing to ensure that all those documents will be tabled, then why not support this motion? I reiterate: we can only come to one conclusion if the Government opposes this motion, and that is that it is trying to hide something that should be revealed to this Parliament. I point out also that this Parliament has its own fundamental rights, quite apart from the Royal Commissioner. In fact, the rights of this Parliament override the Royal Commissioner. This Parliament is the supreme governing body of South Australia, and it has the right to ask for these documents to be tabled. I therefore urge all members to support this motion, and I reiterate that any opposition will be seen as an attempt once again by the Government to hide the full facts of this matter.

The CHAIRMAN: There being an equality of votes, I cast my vote in the negative.

Motion negatived.

The Hon. DEAN BROWN: Can any of the Minister's officers present shed further light on when arrangements were made concerning the payment toward the offset of the \$2 million and, if so, could those officers provide the details?

The Hon. Frank Blevins: As I stated, the documents in relation to this matter number less than a dozen and have all been tabled before the royal commission. I have given an undertaking, and I will probably distribute them tomorrow, although they have been extensively distributed by the royal commission.

The Hon. DEAN BROWN interjecting:

The Hon. Frank Blevins: There are very few of them, and I said that I would photostat them for the Leader.

The Hon. DEAN BROWN: But what about my question?

The CHAIRMAN: Order! If the Leader of the Opposition were to contain himself it would make it a lot easier for the Committee. The Deputy Premier.

The Hon. Frank Blevins: The grandstanding of the Leader is just plain childish. I will again photocopy a set of documents for him—he will then have two sets. I will do the same for anyone else who wants them. I hope that that pleases him. As regards officers, some officers have been examined by the royal commission—a royal commission set up at the request of the Opposition. The Opposition got its request; the officers have been there; the former Premier was there and the documents that have been requested today are there. I think the proper course is to wait until the royal commission reports.

The Hon. DEAN BROWN: That was not my question. I repeat my question: are any of the officers now present in this Chamber willing or able to provide additional information concerning the arrangements for that \$2 million offset so that interest rates were frozen? That is my specific question and it has nothing to do with the royal commission. It relates specifically to additional information held by people involved here at the Committee at present. I ask that the Treasurer give those officers the chance to provide the Committee with any additional information.

The Hon. Frank Blevins: I did hear the question the first time and I am sure that the Leader of the Opposition heard my answer the first time. However, the position is that the issue is the subject of a royal commission established at the request of the Opposition. The question of the \$2 million was extensively canvassed before the royal commission and in the press for as long as 12 months. Documents have been called for by the royal commission and supplied—all the documents are there. The QC paid for by the taxpayers to represent the Leader of the Opposition has those documents. The QC, representing the Leader of the Opposition at his request, also had the opportunity to cross-examine and question the officers. The Opposition wanted the taxpayers to supply a QC. All that was done. If the Opposition thought that the best way to deal with the issue was not to have a royal commission but to have a parliamentary select committee, it was free to move that way and, if the Parliament had agreed, it would have had its select committee. The Opposition would then have been in a position to question the officers. However, it chose another route—the route of the royal commission. Given

that we complied with the Opposition's wishes, I think it ought to leave it to the body that it requested to examine the matter until that body hands down a determination. I understand that it will be a matter of only a couple of weeks before an interim report is handed down. So, the Leader of the Opposition does not have to be patient for very long.

The Hon. DEAN BROWN: Mr Chairman—

The CHAIRMAN: The member for Playford.

Mr QUIRKE: Thank you, Mr Chairman.

The Hon. DEAN BROWN: You are coming in to protect him now. We still have not resolved this point.

The CHAIRMAN: Order! The Leader of the Opposition has had more than a fair go. The Chair is trying to run this Committee properly. The member for Playford.

Mr QUIRKE: Thank you, Mr Chairman. Will the Treasurer tell the Committee how the SAFA operation in South Australia compares with similar operations in other States?

The Hon. Frank Blevins: Dr Bethune would be in the best position to answer that question and to give a detailed response. However, in general terms, my advice is that it compares favourably with similar interstate operations. If one follows the line with these operations, over a period one is a little bit above another at one stage and below another at another stage. However, over a period they all work and work very effectively. I have even given credit to the former Tonkin Government, because the genesis of SAFA was during its term of office. I cannot be more generous than that. However, I am sure Dr Bethune will have more specific details of the comparison.

Dr Bethune: Certainly, all States have central borrowing authorities, as does South Australia. There is the Queensland Treasury Corporation and the New South Wales Treasury Corporation, and there are similar corporations in Western Australia, Tasmania and Victoria. So, all States have taken a definite decision to centralise their borrowings. The only exception to that in the recent past has been Victoria, but it is now also moving to centralise its borrowings in one authority. There are differences in size between the various central borrowing authorities and there are also differences in their balance sheets. In that respect there has been a greater extent of centralisation in South Australia to ensure liquidity in SAFA's stock. There has also been a deliberate decision in South Australia to capitalise SAFA heavily, and that decision has not been taken in other States.

In some other States central borrowing authorities borrow much more on what we would describe as a back-to-back basis for client authorities, whereas in South Australia the approach taken is for SAFA to manage interest rate risks and to lend to at least the Government and some authorities at what we call the 'common public sector rate'. That can lead to quite inappropriate comparisons between lending rates at which SAFA lends and the rates at which authorities in other States lend. For example, in other States individual authorities may have historic debt on their books at quite high interest rates while borrowing at current market interest rates from the central borrowing authority. In South Australia different authorities do not have large amounts of historic

borrowing costs on their books but, rather, they pay the common public sector interest rate.

All central borrowing authorities follow broadly the approach that SAFA takes in relation to debt management in that I am not aware of any central borrowing authority that, for example, raises all its funds on a floating rate basis. To do that would be extremely hazardous and imprudent. It would be fine at present where, perhaps, the State could borrow at 6.5 per cent and lend to all authorities at 6.5 per cent. Of course, when short-term rates are at 17 per cent, people would be concerned about such a policy. So, the approach taken by all authorities is not to put all of their eggs in one basket—which would be very imprudent—but rather to spread their eggs across a number of baskets.

I should point out also that not all authorities borrow at the common public sector rate from SAFA. A large number borrow at current market interest rates. One major example of that is HomeStart and another is ETSA, which borrows at current market rates from SAFA. So, for example, ETSA borrows at 6.5 per cent from SAFA and does its own debt management. However, the approach that has been taken in South Australia is generally for SAFA to do the debt management.

The CHAIRMAN: I would like to draw to the attention of members of the Committee the record of the House of Assembly Estimates Committee A of 1 October 1980, page 95, which contains a response to the then Attorney-General being invited to reply to the following motion of no confidence:

That in the opinion of this Committee the Attorney-General stands condemned for failing to provide adequate and accurate information . . .

I draw that to the attention of the Committee and indicate that the Chair still believes that the ruling that was given was correct. I understand that the Treasurer wishes to clarify a statement.

The Hon. Frank Blevins: Briefly, I should like to clarify an answer provided this morning in response to a question asked by the Hon. Dean Brown regarding the State Bank. The Hon. Dean Brown inquired whether assets which were acquired after 6 February 1991 could be transferred from the core bank to GAMD should they become non-performing. In my response I said that, while it was feasible that non-performing loans could be transferred from the good bank to GAMD, this did not apply to problem assets which were entered into after 6 February 1991. I have been advised that, while under the amendment to the deed of indemnity it is possible that non-performing assets acquired after 6 February 1991 can be transferred to GAMD, the likelihood of this occurring is slight.

Mr BRINDAL: I understand that in relation to the \$2 million, about which the Leader was speaking, the royal commission is in possession of no documentation under the signature of the Hon. J.C. Bannon in his capacity either as Premier of South Australia or as Treasurer. Therefore, I ask: does the present Treasurer deem it prudent financial management for the State Bank and SAFA to be entering into arrangements, as publicly stated on the instructions of the Premier/Treasurer of the day, without any written documentation to support those instructions?

The Hon. Frank Blevins: I am not here to give opinions in response to questions such as that. All I can

say is that the Opposition called for a royal commission, it got a royal commission, and it got its own QC—paid for by the taxpayers. This issue has been in the public domain for at least a year. The QC who has been engaged for the Leader of the Opposition has had the opportunity to examine the former Treasurer at great length, to ask these kinds of questions, or any other question that is relevant. I assume—and from reading the press, never mind an assumption—that that QC has done so. I think that the proper course, rather than to answer hypothetical questions, is to allow the royal commission to run its course and for the Commissioner to bring down his findings. I understand that will be in a few weeks. We will then all know what the royal commission has established.

Mr BRINDAL: What is relevant to this Committee, because it concerns this estimate, is that we have a current Treasurer. Will the Treasurer allow SAFA and the State Bank to do things other than by his written instructions?

The Hon. Frank Blevins: The formalities that are required for a Minister to deal with SAFA, the State Bank or any other entity will be adhered to, of course.

Mr BRINDAL: The Minister has just said that formalities are required. When did those formalities come into being; and, if formalities are required of this Treasurer, what are they and why were they not required of the former Treasurer?

The Hon. Frank Blevins: I am certainly not going to answer this kind of speculative question by the member for Hayward. If he or his Party believes that the former Treasurer did something that was incorrect, the Opposition, through the Leader of the Opposition, has had the opportunity at the royal commission, which the Leader of the Opposition called for, to examine—

Members interjecting:

The CHAIRMAN: Order! The Leader of the Opposition will contain himself.

The Hon. Frank Blevins: The Leader of the Opposition has had the opportunity to question the former Treasurer, as have a dozen QCs, and I am quite sure that in the main they have enjoyed it. Commissioner Jacobs will hand down his findings in a few weeks. The question of any neglect of formalities or insufficient formalities or formalities to be proposed for the future is all part of the royal commission. I am sure that we all look forward to the Commissioner handing down his findings as soon as possible.

Mr QUIRKE: Following my earlier question, in the interest rate regime in which we now find ourselves, the returns that SAFA has made to the Government over the past few years have been reasonably impressive. In the light of current rates of interest and the general cost of money, is it anticipated that SAFA will be able to make the same sorts of returns to the State Government in those conditions?

The Hon. Frank Blevins: The short answer is 'Yes.' The core business of SAFA is fairly predictable. There will be a certain return on the size of the funds which are under management. We can with reasonable certainty predict what any given outcome will be. As I said earlier, I am delighted that there is not an asset under SAFA's management that can be classed as non-performing. I am

not sure whether any of the officers would like to add to that very succinct answer.

Mr S.J. BAKER: In relation to the general contingencies—and these do not relate to the problems with the tax situation—given that a key reason for increasing SAFA's provision for general contingencies to \$121 million in 1990-91 was stated to be 'increased volatility and uncertainty generally in the financial climate in Australia and overseas', why was it appropriate to write back the full \$86 million balance for general contingencies to income; why were those general contingencies written back, given that it appears that the volatility has increased?

The CHAIRMAN: Before the Treasurer responds, I would remind him of the time if it is the intention to close Treasury and Treasurer, Miscellaneous before 6 o'clock.

Mr S.J. BAKER: We have not yet got down to the Treasurer. We have been waylaid along the way and we still have to deal with the Treasurer. We will have to go after dinner.

The CHAIRMAN: I am in the hands of the Committee.

The Hon. Frank Blevins: This is because of the nonsense that has gone on. The agreement was that the Premier would come in at 7.30 this evening to deal with the other part of the former Premier's portfolio. Not only is it completely unreasonable, but it is unethical for the Opposition to have been given the right to set a program. It set that program and officers have been organised around that program. The Opposition had *carte blanche* to set any program that it liked. Its incompetence in not being able to keep to that program I think is absolutely disgraceful.

Members interjecting:

The CHAIRMAN: Order! I ask the Treasurer to wind up on this matter.

The Hon. Frank Blevins: I have wound up, Sir.

The CHAIRMAN: The Chair is in the hands of the Committee as to its intentions. Is it the intention of the Committee to continue examining the Treasurer's lines after the evening break? I take it that it is.

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

The CHAIRMAN: At this stage, the member for Walsh (Hon. J.P. Trainer) will replace the member for Peake (Mr Heron) on the Committee.

Mr S.J. BAKER: Further to what occurred prior to the dinner adjournment, I draw attention to the fact that when we were originally negotiating timetables we pointed out that they were indicative to allow the Minister's officers to be here for a minimum amount of time. However, we asked for flexibility and presumed that we would have it. If other things had not occurred, we would have finished by the time scheduled. However, that was not the case and we always expect Estimates Committees to operate flexibly. If we have a clean run now, we will get through the rest of the Treasury vote in half an hour.

With respect to maintenance of accounting policies, which departments and agencies have yet to file satisfactory asset registers?

The Hon. Frank Blevins: In response to the statement of the member for Mitcham, the arrangements for this

Committee were made possibly a week ago. The program was laid down by the Opposition, not by me. I told them that they could do what they liked, when they liked, but we had to know. It is the first time in 17 years that an agreement which was written by the Opposition and to which I was party has been broken by the Opposition. That is a great pity. As I understand it, we are still dealing with SAFA. If the Opposition has finished with the officers from SAFA, those officers can go and we can get onto the Treasury lines. Can those officers leave?

Mr S.J. BAKER: Yes.

The Hon. DEAN BROWN: Whilst that is happening, I direct the Minister to what was laid down at the beginning of today. Times were set, and it was quite clearly stated that there would be some flexibility in the application of those arrangements.

The Hon. Frank Blevins: The Leader has broken an agreement that his Deputy made with the Government a week ago. As I said, I have no interest if this goes until midnight, as long as we know, but the Deputy Leader of the Opposition was given an absolutely free hand to write today's program as he wished. When he came back with his program, I agreed to it and arrangements were made accordingly with me, with the Premier and with the officers concerned. As I say, it is the first time in 17 years that I have been party to an agreement, either in Government or in Opposition, that the Opposition has broken, and that is to be regretted.

The CHAIRMAN: Before the Minister continues, I would hope that this debate does not continue. I believe there will be a point of view expressed from both sides of the House, including by the Minister, in relation to what did or did not occur. For the sake of impartiality, I believe that statements have been made in relation to this matter. No doubt they will be discussed at subsequent times, and I believe we should now get on to addressing the issues that are at hand. I understand that the Deputy Premier wants to respond to the question asked by the member for Mitcham.

The Hon. Frank Blevins: I completely agree. I did not raise the matter in the Committee.

Additional Departmental Advisers:

Mr Peter Emery, Under Treasurer.

Mr John Hill, Deputy Under Treasurer.

Mr Ian Procter, Assistant Under Treasurer, Budgets.

Mr Peter O'Neil, Director, Budgets.

Mr John Wright, Assistant General Manager, SAFA.

Mr Robert Stewart, Assistant Under Treasurer, Revenue and Economics.

Mr Greg Coombs, Director, Economic and Financial Analysis.

Mr Mike Walker, Commissioner of State Taxation.

The Hon. Frank Blevins: I have an opening statement.

Mr S.J. BAKER: The Minister had an opportunity at the beginning of the day to make one statement in relation to this whole vote. We will accept it if it is tabled.

The CHAIRMAN: I want to make a statement to the Committee in relation to this matter. Earlier today, in response to a point of order about the length of time taken up by opening statements by the Minister, leave

was sought to have the remainder of a SAFA statement inserted without its being read. I have further considered the matter and have consulted with the Chairman of Committee B, and I make clear that there is no provision for tabling documents in Estimates Committees and there is no provision for inserting speeches. Only second reading speeches may be inserted without their being read. This does not preclude the circulation of documents for the information of the Committee. Therefore, I rule that the statement in *Hansard* will include only the part read by the Minister.

The related point made by the Leader of the Opposition was that there was only one line open for discussion and therefore only one all-encompassing statement should be allowed. It is the observation of the Chair that none of the statements so far today was excessively long, although they would have been more than 15 minutes in total. However, to put the matter beyond doubt, I have agreed with the Chairman of Committee B that opportunity for statements will be given only on a change in portfolios.

The Hon. Frank Blevins: Does that leave me the right to read the statement or not?

The CHAIRMAN: I am ruling that that is not the case, and we will get on with questions.

Mr S.J. BAKER: Which departments and agencies have yet to file satisfactory asset registers?

The Hon. Frank Blevins: I will obtain that information for the Committee.

Mr S.J. BAKER: The annual report of the Treasury states that the main function of the Revenue and Economics Branch included 'preparing three-year forward estimates of recurrent receipts'. Will the Treasury provide the Committee with those estimates?

The Hon. Frank Blevins: I will give the question some consideration. I just do not know how practical that is. Certainly, with goodwill, I will examine the question.

Mr S.J. BAKER: The Program Estimates (page 20) states that during 1991-92 work was done with other central agencies on the development of a public corporations policy issues paper which encompasses a framework for the financial performance and monitoring of Government trading enterprises. Will the Treasury make this paper available to the Committee, and when does the Government intend to introduce the legislation?

The Hon. Frank Blevins: From memory, the legislation is due to be introduced later this calendar year. I will examine the paper and see what its status is. If it is a Cabinet document, I may not be able to do that, but I will examine it.

The Hon. J.P. TRAINER: The Estimates of Payments and Receipts (page 33) refers to the interest on borrowings. Much has been said about the debt levels of South Australia compared with those of other States and about our debt level compared with that in previous years and previous decades. Will the Treasurer provide some details on the current level of State debt, both *per capita* and in absolute terms?

The Hon. Frank Blevins: On 30 June 1990, prior to the State Bank situation, South Australia's level of debt per head was the second lowest of that of all the States. This followed a steady reduction in real net debt *per capita* throughout the 1980s. As a percentage of gross State product, net debt has also declined consistently

throughout the 1980s from 23 per cent after this Government first came to office in 1982 down to 15.5 per cent in 1989-90. The fundamental financial soundness ensured the State's capacity to support the State Bank. Primarily as a consequence of the support for the State Bank, South Australia's net debt increased to \$6 737 million at 30 June 1991, after including the \$1.7 billion indemnity payment in August 1991, compared with \$4 303 million at 30 June 1990. On a *per capita* basis, South Australia's net debt increased to \$4 655 per head as at June 1991 compared with \$3 008 per head at June 1990. The State's net debt is still the third lowest of that of all the States after Queensland and New South Wales and significantly below the level of Victoria and Tasmania, which have estimated debt levels per head at June 1991 of \$6 500 and \$6 400 respectively. Net debt data for June 1992 are not yet available for all States.

As a proportion of gross State product, net debt is estimated to be 25.7 per cent at June 1992, taking it back to levels just above those applying at the beginning of the 1980s and, for comparison purposes, with the level of 61 per cent during the Playford era. The South Australian balance sheet published in the budget papers shows the value of net assets, that is to say the excess of physical and financial assets over liabilities, to be in excess of \$8 000 per head. The ratio of net interest payments and net revenues for the State public sector is estimated to come down in 1992-93 to 15.6 per cent from 16.3 per cent in 1991-92, despite higher net debt because of lower interest rates. So, in summary, for the information of the member for Walsh, the tragedy of the State Bank is exposed. The work this Government did to repair the damage of those three short Tonkin years was highly successful; every financial commentator after this budget—

Mr S.J. BAKER interjecting:

The CHAIRMAN: Order! The member for Mitcham will contain himself.

The Hon. Frank Blevins: —made exactly the same point, namely, that we had worked assiduously throughout the 1980s to bring down the debt. One commentator in Australia said we were almost at Queensland levels, but obviously we are not at Queensland levels as regards the provision of services. We would not want to be down at Queensland levels but at very high levels. However, the State Bank problems have brought us back up to the levels that the Tonkin Government left us. That is to be regretted, but we are in a position to cope with it well, and this is what this budget does.

Mr S.J. BAKER interjecting:

The Hon. J.P. TRAINER: Despite the braying from the jackass for Mitcham, would it be a reasonable analogy to describe what has happened to the State debt over the past decade in terms of a family that has paid off its mastercard and bankcard, reduced all its debt levels as low as it possibly could and was coasting along quite well and then discovered that their son had pranged the car, which was uninsured, and that they were responsible for the cost incurred, which wiped out all the benefit that had been attained over the previous decade?

Mr BRINDAL: On a point of order, Mr Chairman, before the Treasurer replies, I believe that members must be referred to by their titles in this House. I know of no

jackass from Mitcham and I ask you, Sir, to instruct the honourable member accordingly.

The CHAIRMAN: I take the point of order. The Treasurer.

The Hon. J.P. TRAINER: I apologise, Sir.

The Hon. Frank Blevins: The answer to the question asked by the member for Walsh is that it is not a bad analogy. I think the important thing about that is to remember the capacity to pay. It may well be that between last month and this month my *per capita* debt has increased by 100 per cent; I think my bankcard has gone up from about \$300 to \$600, but my capacity to pay that is obviously very high. The State's ability to pay its debts is also very high, and this is reflected in the ratings from the various rating agencies.

The Hon. J.P. TRAINER: That would indicate that the State economy and State finances were in an extremely healthy state to be able to absorb that blow, that South Australia had been able to do so better than most other States could have coped, and that a great deal of that which has been lost will be regained as soon as the property market takes off again.

The Hon. Frank Blevins: The answer to that is 'Yes.' When the problems of the State Bank first came to light, it was clear that this State could not go to the Federal Government, as did Victoria, and ask it to bail us out. We did not have to do that: we were able very quickly to realise on our financial assets to deal with the State Bank problem ourselves, and that is a credit to the way the Government has, during the good years, squirreled away quite significant amounts of money for a rainy day. We did not expect a cyclone, but it was a cyclone that we got. Nevertheless, we could still cope with it, and I believe very well. We would rather have not had to but, when it came, the good financial management of the Government stood us in very good stead.

The second part of the question related to how quickly the debt will come down. This depends very much on the property market and what will be a favourable time to realise on some of the 'assets' which we have inherited and which we would rather not have inherited.

Mr S.J. BAKER: First, will the Treasurer undertake to report gross expenditure and gross receipts in future? I note, for example, that the budget papers are now in net terms, and the Opposition and I believe that the Financial Statement is flawed to the extent that the \$7.7 billion of State Government expenditure appears under the Consolidated Account in net terms of \$4.5 billion; to a certain extent, that hides the movements of revenue and expenditure.

The Hon. FRANK BLEVINS: I think the Committee ought to hear from Mr Procter, the Deputy Under Treasurer, Budgets on this issue; it is an interesting question.

Mr Procter: The presentation in the budget papers this year in one sense has kept with tradition in concentrating on Consolidated Account and, as has been the practice in the past few years, describing things in net terms. It is the case as well that this set of budget papers has added quite a deal of information which gives the broader picture of the kind being referred to in that there has been included in it a presentation of the general Government sector, the public trading enterprises and the total public sector on a total accounts basis, which can be

compared as between the States. That was done by way of an agreement between the States, through the Special Premiers Conference, to proceed in that way.

That is a broader picture of the kind that is being referred to. The gross picture is provided not in the Financial Statement but in the Estimates of Payments and Receipts. Through an addition of information, which is now provided, is a complete picture of the activities of all agencies, and that includes for the first time expenditure from funds that were previously outside the Consolidated Account. I make those three points by way of a response to the question about the gross picture of the budget. The gross picture is there, although not in a summary form, and there is additional information of other kinds that adds to the budget picture.

Mr S.J. BAKER: On that point, will the Government (and I guess this is now the province of the Deputy Premier in terms of policy) ensure that the gross picture is presented so we do not have to get out our calculators and work out what is the true picture?

The Hon. Frank Blevins: Again, I will examine the question and discuss it with Treasury officials. We are constantly complimented on the amount of information provided when our budget is brought down. In discussions which I have been party to and which I know others have had, South Australia is looked upon in many ways as the example that other States ought to follow, and it is a credit to our Treasury officials that they produce such a transparent budget. Nevertheless, if we can improve it, I will take on board the suggestion by the member for Mitcham.

Mr S.J. BAKER: I accept that with the good grace in which it is given. Concerns have been expressed about special deposit accounts, the extent to which they are transparent, and the movement in funds that can take place as a result. What arrangements have been put in place for auditing those special deposit accounts?

The Hon. Frank Blevins: We have already had that conversation in a debate in the Chamber. I believe the use of special deposit accounts is a sensible way to organise that part of the State's financial affairs. There is no doubt that they assist departments in managing the funds they are allocated in a much more controlled and improved way. I think the special deposit account should have been more widespread many years ago, but I suppose things come in their due time. I cannot think, nor have I heard, of a single argument against them. If Mr Procter, who is Assistant Under Treasurer (I promoted him to Deputy, but he is Assistant, and I was corrected by his boss), feels there is something to add to reassure the member for Mitcham about auditing, then I invite him to do so.

Mr Procter: In short, the Auditor-General would have the same purview of special deposit accounts as he does of consolidated accounts activities and the same kinds of oversight will be there with special deposit accounts as exists at the present time.

Mr S.J. BAKER: At page 73 of the Financial Statement—this relates to program 3, management of State Government borrowing and investment activities—table 3.6 shows that at 30 June 1992 the public sector had accounts payable of \$1.547 billion. Will the Treasurer reveal the major items of accounts payable? We already know of about \$450 million.

The Hon. Frank Blevins: I refer the honourable member to the footnote to the table, because some information is there. However, we can expand on that and give a more detailed table if the Committee wishes.

Mr De LAINE: I note on page 33 of the Estimates of Payments and Receipts that interest on borrowings will increase in 1992-93. What is the total increase in interest costs for the Consolidated Account, and is it meaningful to express this as a proportion of taxation revenue?

The Hon. Frank Blevins: This is an important point. Some misrepresentation or misunderstanding has occurred over this point and I welcome the opportunity to state the facts because, despite the large increase in the Government's debt stemming from assistance to the State Bank and SGIC, net interest costs to be met from Consolidated Account in 1992-93 are expected to increase by only \$12.2 million. Expressed in real terms and on a fully comparable base, this represents a decrease of .6 per cent from 1991-92. Expressing interest payments on debt as a proportion of taxation revenue is a meaningless figure because of the following:

This proportion will increase the lower level of taxation. ABS statistics show that South Australia has the second lowest level of taxes per capita. Thus interest payments as a proportion of debt will be higher for any given level of debt. Victoria, for instance, which has a high level of debt per capita, ironically scores well on this ratio as it is a high taxing State.

The relevant increase is the capacity of a State to service its debt. Taxation is only one form of revenue and on interest/taxation ratio does not reflect the level of grants which States receive. Smaller States such as South Australia tend to receive a higher level of tied grants.

An interest/taxation measure does not consider the size of the economy or debt per capita which are key factors.

Regardless of this, some commentators in recent weeks have made the simple mistake of expressing gross interest payments as a proportion of taxation revenue. Even if a ratio of interest payments to taxation revenue was meaningful the relevant measure would be net interest cost which takes into account interest receipts. I know that that sounds a bit complicated, but read in *Hansard* every member of the Committee will agree that that is a better and clearer explanation of the relevance of this measurement that keeps being trotted out. It may make interesting reading, but really it is not terribly relevant to the debt position in South Australia.

Mr De LAINE: I refer to page 15 of the Program Estimates, program 2: the provision of budgetary and economic advice. Can the Treasurer outline what are the assumptions in relation to employment growth in this year's budget?

The Hon. Frank Blevins: The budget assumes employment growth in 1992-93 of .3 per cent total and .5 per cent private sector. As the budget papers state, these assumptions are working assumptions only and are broadly indicative rather than definitive forecasts. The .3 per cent growth forecast in the budget is in year average terms and it would be wrong to assume that employment will only grow by about 2 000 in 1992-93. The .3 per cent figure is consistent with growth through the year (that is, June to June) of 1.4 per cent or 9 100 jobs.

Budget assumptions are also very conservative given the uncertainties in the economy and the shortfall in tax receipts that occurred last year due to impact of the recession on the budget. Budget assumptions do not fully take account of the impact of the economic stimulus provided by the Commonwealth as well as the stimulus provided by the State Budget. These factors are difficult to forecast and while it is expected that initiatives by both the State and Federal budgets will provide a substantial stimulus to the economy, no precise forecasts have been made of the exact impact.

Mr De LAINE: I refer to page 19 of the Program Estimates—1992-93 specific/targets and the implementation of a common cash receiving system: can the Treasurer explain this system?

Additional Departmental Adviser:

Mr M. Walker, Commissioner of State Taxation.

The Hon. Frank Blevins: I introduce to the Committee Mr Mike Walker, from the State Taxation Office, whose particular speciality this is.

Mr Walker: In relation to the technology and the associated systems and procedures, our office is now well advanced in developing the first stage of a generic taxpayer database system. The first stage of that system is something that our organisation has tagged the common receiving system. In respect of our organisation, our Government and South Australia, it will provide the infrastructure of a common taxpayer database that will give a common receiving module and a supporting database. It will essentially provide three things: first, it will greatly improve customer service from our organisation; secondly, it will improve our data collection and will be extremely useful for things such as submissions to the Grants Commission; and, thirdly, it will greatly increase compliance within our office. The system is on track in relation to cost and completion. It will be trialled and a dual mode will be running within our organisation by 1 November and that should be in force by 1 January.

Mr S.J. BAKER: How will the Government ensure that taxpayers' privacy is not compromised by the Treasury's new generic taxpayer database or common receiving system which interfaces with external agencies such as TAS, the Department of Lands, the States and State systems?

The Hon. Frank Blevins: Mr Walker is well qualified to respond to that question.

Mr Walker: If we have a problem with privacy of information—and that is a potential problem now—computerisation will not increase it. Fortunately, we have secrecy provisions in taxation legislation in all States. There is a criminal offence, and a penalty of \$10 000 applies to any offence committed by any or our staff who breach those secrecy provisions. So, taxation legislation has gone further than privacy, as it should, and we are not able to divulge information, nor should we.

Mr S.J. BAKER: So, it will not form part of the information utility?

Mr Walker: No.

Mr S.J. BAKER: Considerable concern has been expressed about credit cards being used for certain purposes, some of which have been revealed to the House

already. The Treasurer's annual report states that in November 1991, following evaluation of trials in several agencies and the calling of tenders, a contract was signed by the Westpac Banking Corporation for the supply of a State Government corporate credit card facility which can be used for the purchase of various goods and services and is available for use by all public sector agencies. The Treasurer's instructions and detailed guidance notes have been sent to all agencies to ensure the facility is used properly. In addition, a number of training sessions are being scheduled to assist agencies with the establishment of a facility. Will the Treasurer release the instructions relating to this matter; what role does Treasury have in monitoring these cards; and why were the training sessions not implemented before the cards were handed out?

The Hon. Frank Blevins: If the paper referred to by the honourable member is a Treasury circular, it is a public document, so I will certainly forward a copy to him. I will do as I said with regard to the other documents that were a matter of controversy prior to the dinner break and make that paper available to the member for Mitcham. I am not quite sure what training sessions are required to use a credit card—

Mr S.J. BAKER interjecting:

The CHAIRMAN: Order! The Deputy Premier will not respond to the interjection.

The Hon. Frank Blevins: Mr Hill will give the Committee some information with regard to training sessions. On the more general issue, I think it is fair to say that, in this day and age, buying small items using endless pieces of paper that are passed around from one person to another is a nuisance both to the retailer or the supplier of the services and to departments. Obviously, in any human operation there is the potential for misuse. I know that some allegations are being investigated by the police; a report will be prepared eventually and I am sure it will be made public, although this is not something that is particularly under my control. However, because of the nature of the allegations, I am sure that a lot of information will be provided eventually by the police and by the Attorney-General. Mr Hill will be happy to respond to the Committee on the question of training and Treasury monitoring.

Mr Hill: The training sessions were held to explain to people not how to use a credit card but Treasury's instructions, which are quite detailed, and the procedures that should be followed in order to avoid the possibility of any abuse occurring. Westpac, the provider of the card, was keen to have and participate in these sessions so that people understood the new system and so that the bank could be assured that the proper procedures would be followed.

As to whether the Treasury is monitoring the use of these credit cards, Treasury is represented on the Public Sector Fraud Coordinating Committee, which is keeping a close watch on this matter. The primary responsibility for monitoring the use of credit cards must lie with the immediate supervisors of the people who are using the credit cards. It is their responsibility to ensure that the Treasurer's instructions are followed so that credit cards are not used for improper purposes. So, I guess you could say that the Treasury via its representation on the Public Sector Fraud Coordinating Committee is keeping an eye

on the matter and will be reminding agencies of their obligations following the recent allegations that primary responsibility for monitoring must lie with the immediate supervisors.

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

Treasury, Miscellaneous, \$844 445 000—Examination declared completed.

Legislative Council, \$2 511 000—Examination declared completed.

House of Assembly, \$4 864 000—Examination declared completed.

Joint Parliamentary Service, \$6 761 000—Examination declared completed.

State Governor's Establishment, \$1 276 000—Examination declared completed.

Premier and Cabinet, \$12 980 000

Chairman:

Mr K.C. Hamilton

Members:

Mr S.J. Baker
Mr M.K. Brindal
The Hon. Dean Brown
Mr M.R. De Laine
Mr J.A. Quirke
The Hon. J.P. Trainer

Witness:

The Hon. Lynn Arnold, Premier.

Departmental Advisers:

Dr P. Crawford, Director, Department of the Premier and Cabinet.

Mr G. Foreman, Director, Cabinet Services.

Mr J. O'Flaherty, Director, Corporate Services.

Mr A. Strickland, Acting Chairman, Government Management Board.

Mr J. Shepherd, Director, Government Management Board.

Mr E. Kageler, Assistant Director, Corporate Services.

Mr T. Kent, Manager, Financial Services.

The CHAIRMAN: Does the Leader of the Opposition wish to make an opening statement?

The Hon. DEAN BROWN: Before asking questions, because we are now short of time, I would like to make a suggestion and I realise that it is up to the Committee whether or not it accepts it. The Opposition has no questions in relation to the Legislature, which is covered on pages 15 to 18.

The CHAIRMAN: We have already dealt with that. The *Hansard* record will reveal that.

The Hon. DEAN BROWN: First, in terms of pages 21 onwards, which is what we are now dealing with, some of these issues flow from there into the miscellaneous lines. If the Premier is happy, we will deal with all those items as one. Secondly, we are happy to proceed straight through without a break at 9 p.m.

The Hon. Lynn Arnold: With respect to the first request from the Leader, I am the servant of the Committee and the Committee will determine what it wishes to do and I will oblige. If the Committee wishes to follow the approach suggested by the Leader, I am more than happy to follow that. In relation to the second matter, I have a problem because I have arranged a commitment during that break. It will take only a few minutes but I require that time. I would appreciate it if the Committee would oblige me. Clearly, if the Committee does not wish to do that I am a servant of the Committee. I am not being awkward.

The Hon. DEAN BROWN: Perhaps the Premier could tell us exactly when he has that commitment and we will be only too willing to oblige him.

The Hon. Lynn Arnold: It is at 9 p.m., and it will take only few minutes.

The Hon. DEAN BROWN: I suggest that that be a reasonably short break and we will leave it up to the Premier to tell us when he wants to take that break.

The CHAIRMAN: I suggest a 10 minute break at that time. Does the Premier wish to make an opening statement?

The Hon. Lynn Arnold: I was asked a number of questions yesterday and I think it is only fair to the Committee that I make information available in answer to those questions because supplementary questions could come from them. In particular, in relation to the information utility I would like with relative expedition to go through those matters if the Chair is agreeable. I was asked when an announcement will be made as to who will be the Chief Executive Officer and what salary package has been agreed to.

Negotiations are currently in progress with a candidate for the position of CEO. At this stage there is no agreement on salary. No prognosis can be given as to whether this candidate will accept, and accordingly no date can be given on when an announcement of an appointment will be made. In the meantime, an acting CEO has been designated to head up the interim information utility within Government, until the CEO appointment is made. That person is Bill Allan.

In relation to headhunting and the Executive Search Recruitment Agency, offers were sought from three executive search agencies, and one which represented best value for money for this particular assignment was selected by agreement between the Government and the commercial parties. The fee charged by the agency appears to be in line with normal industry levels for this type of position. The fee and associated expenses are

being shared between the Government and four commercial organisations of the information utility consortium. The Government's share is estimated to be about \$23 000.

There was no overseas travel expenditure included in this amount, but the expenses have included travel within Australia and the cost of international interviews by video-conferencing. I was also asked whether most Government agencies had agreed to participate or was there difficulty with some of those agencies. Discussions have been held with most chief executives of the GME Act agencies either individually or in the format of committees and agency interest groups. Detailed discussions were also held with the senior executive groups of a number of agencies and statutory authorities. These rounds of discussion and presentations are not yet completed but, as a general comment, agency chief executives were in agreement with the concept of the information utility and looked forward to the opportunity for their agencies to work with information utility project staff and the staff of the information utility itself to develop services that will be of benefit to agencies. We are not aware of any agency having difficulty accepting the concept.

Further, I was asked about the cost of the feasibility study. It was \$240 000, and I have breakdown that I can give to the Leader of the Opposition. I was also asked how much will be spent in 1992-93. An amount of \$2 205 000 is budgeted for Government expenditure. This will be directed to the cost of establishment of a corporate framework for the information utility and to enable an interim administration unit to be established. Additional amounts (to be determined) will be contributed by each partner as working capital and current work on the IU business plan will estimate this requirement. Further amounts are budgeted by each of the commercial partners for 1992-93.

With respect to the question about the costs of set-up to date, I indicate that total expenditure to 31 August 1992 was \$581 940, and I can give a breakdown of that as well, along with major items of expenditure. I was also asked, 'A feasibility study has been referred to as being carried out; what did it show in terms of the net or gross benefit that would accrue?' There is a fairly long answer to that, but I will read only one paragraph. The result of the analysis showed the likely net benefits to be in the range break-even to \$3.5 million net benefit over five years as a financial benefit to Government. This was a conservative analysis as it was based on a limited number of agencies. Accordingly, it was concluded that the next steps in the development of the IU project were justified. These benefits have been confused in media reports with the net benefits likely for the overall IU.

These benefits will consist of the benefits of operating the facilities of the IU in the proposed rationalised and consolidated manner; the benefits of value added services that will operate using these facilities; the benefits of transformational change in terms of efficiency and customer service that the integrated services of the IU will make possible for agencies and for cross-agency purposes; the benefits of an economic nature resulting from the use of IU services by the private sector; and economic development contributions of the commercial partners.

As to the impact on staff, the number of staff likely to be employed when the information utility is fully established is largely dependent upon the range of services offered and how those services will be ultimately provided. I point out that the Government is committed to the continued protection of the rights of all employees. No permanent Government employee need have any concern about the security of his or her employment. As the information utility develops it is highly likely that numerous new employment opportunities will emerge.

There are two other answers, one on systems failure and the other on progress by New South Wales and Queensland. They are quite lengthy. I realise that I am not allowed to table them, but they will somehow be made available to members of the Committee.

The CHAIRMAN: Do I understand that they will be available for distribution?

The Hon. Lynn Arnold: Yes.

The Hon. DEAN BROWN: I wonder whether we could have copies now as the Premier raced through them very quickly.

The Hon. Lynn Arnold: I have one copy for each side of the House.

The Hon. DEAN BROWN: Thank you. I express my appreciation to the Premier for getting the information that he promised yesterday so quickly. It was very cooperative of him and I should like to record that. I should like to take up one point. Quickly going through that information, I got the impression that Government departments and agencies were going to cooperate with the information utility. I presume that there is no trouble with Government departments which are under direct ministerial control and that all of those will cooperate. However, the Premier said that there may be some troubles with some agencies. Was he referring mainly to peripheral statutory authorities in that context?

The Hon. Lynn Arnold: There was no statement that there would be some troubles. I will ask John Shepherd to amplify that comment further. I made a general comment that chief executives were in agreement. I said that discussions had been held with chief executives of the GME Act agencies. I guess that the Leader was thinking that that seemed to exclude non-GME Act agencies. I do not take that to be a negative comment on those agencies.

Mr Shepherd: That is correct. There have been extensive discussions with most GME Act agency chief executives. There has been less opportunity for discussions with the statutory authorities, and a number of them are excluded from the necessity to be involved in the information utility—such as the State Bank and SGIC. However, there have been discussions with chief executives and senior executives groups of agencies like the Electricity Trust, and their attitude was the same: they were interested in cooperating and developing services for mutual advantage.

The Hon. DEAN BROWN: It is reassuring that all the main Government departments are going to cooperate. I appreciate that reassurance. I should like to come to a different question. What is the future of Mr Bruce Guerin, who was seconded from the Department of the Premier and Cabinet to the MFP project last year? Is he now due to return to the Department of the Premier and Cabinet; and, if not, where will he go?

The Hon. Lynn Arnold: Bruce Guerin has at this stage two positions: he is Director of the Department of the Premier and Cabinet and he is also Chair of the Government Management Board. The Leader has quite correctly identified that he has been involved with the MFP. At this date, in terms of his position as Director of the Department of the Premier and Cabinet, he had previously delegated all those responsibilities to Bob Nichols who was the Executive Director of that department. As I announced to Parliament a few days ago, that has been changed. Bob Nichols has returned to his substantive position in Tourism South Australia and Dr Peter Crawford takes that position and has the full delegations that Bob Nichols had.

For the moment Bruce Guerin maintains his role as Chair of the Government Management Board. He has indicated to me that he believes that he should not continue further with the MFP board. It is important that his services be used within Government, but at this stage the other uses that can be made of his services are dependent upon the ministerial reshuffle and the examination of the relationships between different departments. There may be changes in the structures of some of those. Therefore, it is not appropriate at the moment to make decisions on the extra duties that he will take.

In the light of the Arthur D. Little report recommendation that we examine representation overseas, particularly with respect to Indonesia, Taipei and the United States, I have asked him to undertake a review of our overseas representation. I believe that to be a very high priority piece of work that should take place. He is at the moment preparing a document to look at the ambit of such a review, upon which I will make decisions. I hope that he will complete that review as soon as possible. Of course, that will overlap with future duties that he will be asked to undertake. We shall have to ensure that he is not being asked to take on too many duties.

The Hon. DEAN BROWN: As a supplementary question, I presume he now formally sits on the unattached list?

The Hon. Lynn Arnold: No. He is formally the Chair of the Government Management Board and, in his substantive position, Director of the Department of the Premier and Cabinet. Andrew Strickland might care to comment on that.

Mr Strickland: He is still the Director of the Department of the Premier and Cabinet, but he has delegated his powers as the Chief Executive Officer to Dr Crawford, as he did previously to Mr Nichols. With respect to the Government Management Board, the Government Management Employment Act says that the Governor appoints a person appointed to the Government Management Board to chair the meetings. While working on the MFP, he was not available to chair the meetings so the board asked me to do it in his absence, which has been for some considerable time now. These are obviously temporary arrangements. They will have to be resolved, as the Premier pointed out, in the next few weeks.

The Hon. DEAN BROWN: My next question relates to the budget and its impact on women. The paper on the budget and its impact on women outlines a new initiative

for 1992-93, which is the establishment of the women's register and to increase the appointment rate of women to Government boards and committees. I commend the Government on that objective. It is explained that a registration form will be developed for wide community distribution, and there will be a central confidential computerised database to maintain that information received. Who will determine how this registration form will be distributed, how will selection on political grounds be avoided, and what criteria will be established for the distribution?

The Hon. Lynn Arnold: I will ask Graham Foreman to make some initial comments on that matter.

Mr Foreman: I understand that the register will be kept and managed by the Women's Adviser to the Premier.

The Hon. Lynn Arnold: I can give the assurance that this will not involve the use of political decision making.

The Hon. J.P. TRAINER: With regard to the information utility project, I understand that other states are heading down the same track. How far are they progressing, particularly New South Wales and Queensland, the two States that have made the most progress?

The Hon. Lynn Arnold: Those two States, together in one way or another with most mainland States, are presently engaged in what amounts to an aggregation of their communication services. The objectives in all cases have been to seek a reduction in communication costs and the integration of communication services to enable value-added services such as electronic mail, EDI and EFT, as well as industry development. As I understand it, New South Wales is in the final stage of evaluation of a major tender being conducted by the telecommunications unit of the commercial services group for all communications services. This will probably result in a series of contracts for services, with contract coordination being managed by the TCU. Queensland has recently appointed a facilities manager—Pacific Star, I understand—to manage all its existing communications services. Pacific Star will be remunerated on the basis of the savings it makes for the Queensland Government. It needs to be noted that the South Australian information utility is wider in scope and has a stronger emphasis on industry development.

The Hon. J.P. TRAINER: I do not claim to have any particular expertise with computers, certainly none that can match that of the Premier. I am almost computer illiterate, but I do know enough to recognise that from time to time computers do horrible things such as 'crashing'—I think that is the colloquial term. What provisions are there to cover against this sort of system failure?

The Hon. Lynn Arnold: In the first instance, it has to be recognised that there is no absolute protection that can be guaranteed. I guess there is no absolute protection in any way regarding business, whether it be with or without computer. It is an unrealistic goal to say that we are aiming for absolute protection against failure.

The Hon. J.P. TRAINER interjecting:

The Hon. Lynn Arnold: That is quite right. It is unrealistic to expect to have absolute protection because an adversary with sufficient motivation, resources and ingenuity or a natural disaster of sufficient severity can

compromise the most sophisticated protective arrangements, and we have seen examples of that overseas in recent years. Current Government information processing facilities would be to some extent susceptible if the foregoing events occurred today, so we do not give absolute guarantees; we cannot, and that certainly applies to the future.

An optimum fail safe arrangement is one in which the cost of implementing protective mechanisms has been balanced against the reduction in risk achieved. One of the central features of IU provided services will be the establishment of service level agreements between the provider of the services—the IU—and the user of the services—Government agencies and the business and private sector.

System back-up services provide to agencies will be based on two primary considerations first, a need to meet regulatory requirements that might be the result of contractual obligations (for example, the motor registration system is an on-line system, and any extended failure could result in a reduction of adequate levels of service to the motoring community); and, secondly, technical and operational requirements that must be satisfied in order to provide a fail safe environment. The requirements will therefore need to be based on an assessment of an organisation's susceptibility to threat, and they include a number of issues such as whether the system is operated at different levels within an organisation; whether a mode access is required by the user organisation and external parties such as commercial organisations or the community at large; and whether the business operations of the organisation under consideration will be severely hindered in the event of an extended total system failure.

The utility will have greater resources at its disposal to reduced the potential of systems failure that is presently available to the Government. That is a very important point. Nevertheless, the Government will establish monitoring mechanisms to ensure that service standards as they relate to systems backup are in place to meet specific agency needs. In entering into contracts, consideration will also be given to establishing fall-back arrangements so that the Government can resume control of the infrastructure essential to service provision should the information utility fail.

The Hon. J.P. TRAINER: Have all Government agencies agreed to participate in the system and, in particular, how will *Hansard* be involved?

The Hon. Lynn Arnold: I will ask Mr Shepherd to comment with respect to *Hansard*. I refer the honourable member to my previous comments about the chief executives of a number of GME Act agencies. Obviously, there is still some more work to do, but undoubtedly the discussions that we have had to date indicate the support of those agencies. John Shepherd referred earlier to the non-GME Act agencies.

Mr Shepherd: That is a fairly technical question. I am sure that *Hansard* is giving considerable thought to the way in which technology can assist. We are developing proposals for electronic mail—the ability to transmit documents electronically—with much less use of paper and, in future, that might be the technological directions in which these kinds of services might go.

The Hon. Lynn Arnold: I suppose there should be apologies from some members (and I am one) who occasionally speak a little quickly. Voice actuated computers and VRU might be of assistance, and the transmission of information from Parliament to State Print is an example of the benefits that would be available. I will obtain a more detailed report, and we will consult with *Hansard* in preparing that report.

The Hon. DEAN BROWN: I refer to policy advice and management improvement. The work of the Government Agencies Review Group is coordinated through its program. No doubt the Premier remembers that in 1991 the annual report stated that, during the previous year, much of the consulting work of the office occurred as a result of the establishment of the Government Agencies Review Group. What work was undertaken during 1991-92 in reviewing Government departments and agencies with a view to rationalising functions and reducing costs? Secondly, will the Premier make available any reports prepared as a result of that work?

The Hon. Lynn Arnold: The improved financial results achieved in 1991-92 as a result of GARG totalled \$51 million and work force reductions of 1 096 full-time equivalent employees. The flow on effect in 1992-93 of these savings is expected to be \$105 million, with a further reduction in work force numbers of 1 498 full-time equivalent employees. When added to the savings flowing from other significant review activities conducted by agencies of \$37.5 million and work force reductions of 587 full-time equivalent employees, total savings of \$142.5 million and work force reductions of 2 085 full-time equivalent employees are anticipated in the public sector in 1992-93. In 1993-94 the full effect of these savings are expected to be \$198 million and 2 293 full-time equivalent employees.

I have a whole list of areas in which significant cost savings are being achieved. I think the best thing to do is to have the document inserted in *Hansard* without my reading it, if that is agreeable to the Committee.

The ACTING CHAIRMAN (Hon. J.P. Trainer): Do I have the usual assurance that it is purely statistical?

The Hon. Lynn Arnold: Yes.

COST SAVINGS

	\$ million
Department of Agriculture	3.2
Correctional Services	0.3
Education Department	15.4
E&WS Department	14.3
Family and Community Services	0.8
Department of Labour	0.4
Road Transport	1.7
SACON	1.5
SA Health Commission	29.0
SA Health Commission—Cleaning	3.4
State Transport Authority	4.5
Woods and Forests	5.5
Government Advertising	2.0
Security Services	0.3
Government Travel Bookings	0.1
Government Workshops (excluding SAHC)	5.4
<i>Hansard</i> Production	0.5
Statutory Licences	2.8

The Hon. Lynn Arnold: Financial adjustments amounting to \$130 million have been made to the 1992-93 recurrent allocations of agencies in the budget sector to reflect these savings. The reform process is also being undertaken in non-budget sector agencies, and substantial savings are being realised. ETSA has reduced its work force by 1 343 full-time equivalent employees over the past two financial years. As the Leader will know and appreciate, and congratulate, average electricity tariffs have fallen by 9 per cent in real terms since 1988-89, and labour productivity as measured in gigawatt hours sold per employee has increased by 54 per cent in the same period.

The Hon. DEAN BROWN: The Premier was just reading from the next page down, and I request that that be tabled as well. What progress has been made in reviewing all Government activities through GARG; how many more departments or authorities are there to review?

The Hon. Lynn Arnold: I will ask Andrew Strickland to respond to that.

Mr Strickland: All Government agencies have put in specific reports and GARG itself has then followed up on a number of other things. I would say that at the moment no Government department would not have made some contribution to the increase in efficiency and the savings that have been achieved through this whole process. At the moment, GARG is perhaps concentrating on looking at across agency matters rather than agency specific matters; in other words, it has gone from trying to get the increases in efficiency from within agencies to looking at the possibilities of across agency savings and ways of doing things better. For example, at the moment it is looking at the national resources area of Government where, members would be aware, half a dozen agencies contribute toward activities.

Workshops across the major construction agencies have been reorganised and, without going into the full details of it, I point out that specific services are provided from one agency to the other agencies, and this has led to quite considerable savings. Post implementation review is suggesting that those savings will be achieved on an ongoing basis. They are some of the things that are being pursued at the moment.

The Hon. DEAN BROWN: In the 1991 annual report of the Premier's department it is stated that:

The office assisted the Chairman of the Capital Works Budget Committee, Ted Phipps, in his leadership of the 17 agencies with Government workshops, as they pursued rationalisation opportunities.

It went on to state that they anticipated annual savings in excess of \$6 million a year. What progress has been made in achieving those savings of \$6 million a year?

Mr Strickland: It has been \$5.4 million in the past year, and the ongoing savings should be realised in subsequent years.

The Hon. DEAN BROWN: The objective was \$6 million per annum, according to the statement for 1991.

Mr Strickland: In fact, the Health Commission started considerably later. It has been getting into this only in the past six months, and that \$5.4 million excludes it. When the commission comes in, hopefully, it will be about \$6 million.

The Hon. DEAN BROWN: I understand that in 1991-92 GARG undertook a program that included a review of

the E&WS, Education, Agriculture, and Woods and Forests departments. Will the Premier give an undertaking to table those reports on those four Government departments?

Mr Strickland: Does the Leader mean the Government Management Board?

The Hon. DEAN BROWN: The Government Agency Review Group—the GARG reports.

The Hon. Lynn Arnold: I would want to consult with GARG.

The ACTING CHAIRMAN: Will the Leader clarify his request?

The Hon. DEAN BROWN: My request is that the GARG reports undertaken in 1991-92 be tabled; they related to the E&WS, Education, Agriculture, and Woods and Forests departments.

The ACTING CHAIRMAN: Is the Leader requesting that they be tabled in the Parliament or in the Committee?

The Hon. DEAN BROWN: It is too much to expect that they will be inserted in *Hansard*, but I request that a copy be made available to both sides of the Parliament.

The Hon. Lynn Arnold: I will take that question on notice and ensure that a report is brought back.

The ACTING CHAIRMAN: What the Leader is now suggesting is quite different from his previous suggestion.

The Hon. DEAN BROWN: I am not suggesting that they all be printed in *Hansard*. The Program Estimates (page 13) states that an objective of this program is to secure, by June 1993, the firm commitment of European participants in the MFP project. How many European companies have so far registered an interest?

The Hon. Lynn Arnold: One officer who is closely involved with the MFP is present.

Additional Departmental Adviser:

Mr Bruce Guerin, Chief Executive, MFP Australia.

Mr Guerin: In the sense of their being formally involved in current activity, at present one company called *Lyonnias des Eaux*, a French water and waste management company, is participating with other companies and organisations in the feasibility study for the MFP services company. I cannot give the exact number of other companies which have inquired or which have had contacts. I would say that about a dozen others have inquired, but there has been no formal registration of interest.

The Hon. Lynn Arnold: I could add to that. I am advised also that, from the Agent-General's office, a preselling market research survey of the attitude of 28 major European companies to the MFP project has been completed. It focused on identifying the key factors that influence international investment by major multinationals and compared Australia and Adelaide with other Asia-Pacific locations. A continuing promotional and publicity campaign on MFP developments had been undertaken, and regular meetings have been arranged with the European International Advisory Board members to review progress with marketing initiatives and to seek support with introductions to target investors. A media relations and publicity campaign has been developed for Europe which is scheduled to be set in train to coincide

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with the announcement of the Chair and Development Corporation Board.

The Hon. DEAN BROWN: What is the reason for the delay of the proclamation of the legislation?

Mr Guerin: It was intended to have the major part of the Act proclaimed at the time the membership of the board was announced. There are two provisions for proclamation under the Act. There is a separate one for the Technology Development Corporation aspects, because it is expected that the merger of the TDC and the MFP organisations will take place a little later into the next financial year.

The Hon. DEAN BROWN: Why was the recurrent expenditure on the MFP in 1991-92 just over \$1 million above budget?

Mr Guerin: I cannot give details. I have some in my bag, but basically the estimates for this year were very much estimates at the beginning of the year and the costs involved in some of the studies for the environmental impact statement and associated work were larger than had been anticipated because the EIS process was used to improve the design and preparations as well as simply presenting and refining existing information that had been presented beforehand with the basic engineering studies.

The Hon. DEAN BROWN: When the former Premier was before the Committee last year he indicated in answer to a question on the MFP that he expected the board to be announced 'within the next couple of months', but 12 months later the board has still not been announced: what is the reason for the 12 months delay? It has taken at least 10 months longer than the Premier anticipated.

The Hon. Lynn Arnold: It was initially intended that the board would be appointed on an interim basis, pending formal appointment on the proclamation of the legislation. This was intended to carry on the work of the management board, which brought the project successfully through the final feasibility study in mid-1991. Subsequently, a steering committee was appointed for an interim period under the chairpersonship of Ross Adler. That really replaced the other arrangements to which the former Premier was referring.

As the Leader knows, final preparations are being made for the appointment of the board as well as the proclamation of the Act in the next few weeks.

The Hon. DEAN BROWN: Yesterday we were discussing the MFP in another Committee and the Premier undertook to give detail tonight about the capital expenditure of \$30.9 million, and I would appreciate that detail now.

The Hon. Lynn Arnold: There are many items of capital expenditure. Technical studies come to a total estimated cost of \$1.684 million. They include such things as groundwater modelling, decontamination, power line diversion, brine pipeline and relocation, but in fact there are 18 technical studies. We then have land acquisition, \$14 million; external works; stormwater diversion extensions; wetlands, comprising diversion and extensions of existing external major drains, which enter the Gillman site along its southern boundary; new wetlands which are to be constructed adjacent to that boundary, \$2 million; roads and entrances, \$1 million; services to site boundary, \$700 000; regional stormwater, \$600 000; decontamination, \$1.020 million; relocations,

\$2.4 million; parks and forests, \$400 000; detailed design supervision and documentation related to items referred to above, \$812 000; urban development overheads, \$2.276 million; and miscellaneous costs \$1.624 million. Do you want the technical studies? We can get that information.

The Hon. DEAN BROWN: Yes, I would seek full detail of what you have there. I seek clarification in terms of what is proposed to be spent this year. The budget papers show that \$30.9 million is to be spent on capital and \$6.677 million on recurrent expenditure. I seek a breakdown of that recurrent expenditure.

The Hon. Lynn Arnold: The 1992-93 proposed includes salaries and related payments of \$1.687 million. The estimated increase in expenditure over last year on salaries and related payments has resulted from a need for recruitment of new staff, including the CEO and several other senior positions required to fulfil the expanded requirements of the MFP Development Act. We then have operating costs of \$2.04 million, which includes a series of costs, travel, staff recruitment, conferences, office systems, office fit-out, support, legal fees, rent, temporary assistance, telephone charges, stationery and various minor charges; committees, \$234 000; and consultants, \$1.861 million. Due to the dynamic nature of the MFP and the focus on business development in key areas such as education, information technology and environmental management, consultant services will remain critical in 1992-93 if we are to make significant inroads into those areas. Public affairs is \$854 000, bringing a total cost of \$6.677 million.

The Hon. DEAN BROWN: Is it possible for us to have that document?

The Hon. Lynn Arnold: Yes.

The Hon. DEAN BROWN: Of the total of \$37.6 million, how much relates to the Better Cities Program and therefore involves Federal funds?

The Hon. Lynn Arnold: The sum of \$12.45 million.

The Hon. DEAN BROWN: What has happened to the other \$15 million allocated originally in the One Nation statement for this financial year?

The Hon. Lynn Arnold: That appears under the Minister of Housing and Construction lines, \$16 million.

The Hon. DEAN BROWN: Is \$16 million being allocated to the other areas?

The Hon. Lynn Arnold: Under the Minister of Housing and Construction lines.

The Hon. DEAN BROWN: The sum of \$12.4 million is allocated under the MFP lines?

The Hon. Lynn Arnold: Yes.

The Hon. DEAN BROWN: Of the \$12.4 million coming from the Better Cities Program, how much of that is being spent on studies in Canberra?

Mr Guerin: I do not believe any money is being spend on studies in Canberra. This is all work directed to improving community facilities in the north-western suburbs of Adelaide, linking into the MFP.

The Hon. DEAN BROWN: Is the Commonwealth Government carrying out its own independent MFP studies?

Mr Guerin: The Commonwealth Government did make a decision last year to allocate \$12.6 million for MFP purposes and about \$5.5 million or \$5.6 million of that has been directed through to support the

establishment of the MFP Development Corporation in its first three years of operations, this year being the second year. The remainder has been held in Canberra for other MFP-related activities, which include things like the support of the international advisory board but also some other studies and work being done with other State Governments on MFP-related matters.

The Hon. Lynn Arnold: I will provide a table of figures for the year 1992-93 for the Leader.

The Hon. DEAN BROWN: According to Mr Guerin's answer, that would leave about \$6 million sitting in Canberra for those Canberra MFP orientated activities that the Commonwealth Government is carrying out. Is that right?

Mr Guerin: About \$7 million over three years; again, it is a three-year program.

The Hon. DEAN BROWN: Has there been any reference to the State Government in terms of what those studies might be and where those moneys might be spent? Can we be provided with any information on the sort of work being undertaken?

Mr Guerin: We are in close contact with representatives of DITAC, the relevant department; a senior officer of DITAC is working within the MFP office in South Australia. Some of the funds are expended on complementary activities such as developing the environmental management centre concept and attracting research and development possibilities to the project. Quite a lot of activity is occurring in the Commonwealth on the basis of full consultation with us, and the Commonwealth has spent some money on other things on its own initiative.

The Hon. DEAN BROWN: What stage has the environmental assessment of the Gillman site reached?

Additional Departmental Adviser:

Mr R. Keller, Executive General Manager (Urban Development), MFP Australia.

The Hon. Lynn Arnold: I will ask Mr Keller to respond to that question.

Mr Keller: The EIS is basically finished and the supplement has been submitted to the Department of Environment and Planning which is making its final assessment now. That assessment should be submitted to the Minister in the first or second week in October.

The Hon. DEAN BROWN: What is the estimated cost of the clean-up of the Gillman site?

Mr Keller: The EIS has not had to re-estimate the clean-up cost, but it has been estimated at about \$6 million or \$7 million.

The Hon. DEAN BROWN: I think advertisements have appeared in national newspapers for senior staff appointments within the MFP. Could a brief outline of the key positions under the Chief Executive Officer that will exist within the MFP structure be provided?

Mr Guerin: It is intended to keep the structure fairly simple and small. On the urban development side, the senior position is that of Executive General Manager (Urban Development), which is occupied by Mr Keller. That position is responsible for the physical preparation of the site and urban development aspects and currently is responsible for environmental management industry development activities. We have a Public Affairs General

Manager who is responsible for media contact—the preparation of materials, printing and so forth—and who is also involved in the preparation of marketing materials. We have advertised a third senior position in the business development and marketing area for which we have received applications but we have not yet made a decision about the appointee. Within that same area of business development it is intended to appoint responsible officers in the major functional areas of environment, education and information technology. We already have the senior person in environmental management, Dr Malcolm Hall, and we have advertised the other two jobs.

Mr De LAINE: When are major works expected to commence on the MFP core site?

Mr Keller: This year we have budgeted to commence work on the wetlands, which will capture the stormwater going across the site at the present moment, and also the entrance road and possibly the canal. It is most likely that that will occur in the first half of next year as contracts to the MFP Development Corporation. At the same time we will be calling for expressions of interest for development of stage one of the core site. So, it is most likely that that sort of development will not start until the middle of next year.

Mr De LAINE: I refer to page 9 of the Program Estimates, and the intention to transfer administrative responsibility for the Port centre from the Department of the Premier and Cabinet to the multifunction polis. What is the timeframe for this transfer?

Mr Guerin: The decision was that it was most appropriate for the Port centre project to be brought together with the MFP project, but subject to the views of the MFP Development Corporation Board. So, that issue will be presented to it as soon as it starts meeting. In practical terms there will be close coordination between the projects as an ongoing matter. However, there will be increasing advantage in bringing them quite formally together, because the MFP is not to be a rival to Port Adelaide as a regional centre but to supplement it and develop it as an extra strength in metropolitan Adelaide.

The Hon. Lynn Arnold: I certainly concur with what Mr Guerin said. The 1992-93 budget for the Port centre project is proposed to be derived entirely from the proceeds of the sale of one of the project's land holdings available for redevelopment and from property rents. The land is to be developed for the Port Adelaide TAFE college. Anticipated receipts from the sale and rents is estimated at \$2.753 million and expenditure is proposed at \$2.54 million.

Mr De LAINE: I again refer to page 9 of the Program Estimates, the Port centre project and the staged implementation of the inner harbor waterfront development strategy and, in particular, the proposed harborside quay development. The proposed development has been on a stop start basis now for some considerable time. What is the current status of this very exciting project?

The Hon. Lynn Arnold: As the honourable member refers to it, it is a very exciting project. However, some issues have had to be resolved. Following the withdrawal of an earlier development proposal as a result of the collapse of the developer involved, negotiations were commenced with another group that had previously registered interest in the development. Agreement was

reached with that group in August 1991 to develop approximately 200 units. The agreement was executed subject to soil contamination testing in accordance with Government policy. The tests carried out demonstrated that some remedial works need to be carried out to allow for residential development and negotiations are currently proceeding with the developer with the objective of reaching an agreed resolution of the responsibilities in that manner.

The Hon. DEAN BROWN: What is the status of the MFP Services Company?

Mr Keller: A proposal was put up to do a pre-feasibility study of the MFP Services Company and we finished up with 16 participants in that study. The report is due on 1 December. There are 16 companies—of which two are international—that have put up about \$20 000 each.

The Hon. DEAN BROWN: What is the status of those companies? I think you said there were 16.

Mr Keller: Yes.

The Hon. DEAN BROWN: It has been a joint effort by those 16 companies in preparing that pre-feasibility study, and from the pre-feasibility study I presume you would expect to go to a feasibility study?

Mr Keller: That is correct.

The Hon. DEAN BROWN: When would you expect that to be finished?

Mr Keller: The report on the pre-feasibility study is due on 1 December. A decision will be made after that on what elements of that study need to be proceeded with and what sort of money is needed. If everything went according to plan, the results could be due at the end of the first quarter of 1993.

The Hon. DEAN BROWN: What is the status of the Environmental Management Centre?

Mr Keller: The Environmental Management Centre has been jointly pursued by the MFP Corporation and the DITAC MFP group. We now have a commitment from the Department of Administrative Services to fund a certain portion of almost a pre-feasibility study or initial design on the environmental management concept. In fact, the Prime Minister on his visit to Japan next week will be trying to get a commitment out of MITI or the Japanese Government to participate in that ongoing venture.

The Hon. DEAN BROWN: How much has been allocated in this financial year for marketing the MFP both overseas and interstate?

The Hon. Lynn Arnold: I gave some figures earlier on the recurrent budget and that included the Public Affairs line. That was the \$854 000 to which I referred. That includes a number of things: the MFP information centre, promotion activities of \$450 000, other related press media services, report production and matters like that.

Mr DeLAINE: The Premier read out a list of the capital expenditure amounts, one being \$600 000 for a Port River crossing. What sort of crossing will this be and where will it be located?

The Hon. Lynn Arnold: The earlier set of figures did not tally with the total figure that I indicated because it was not a correct table. We are undertaking to prepare a correct breakdown of the \$12.45 million and that will be

submitted for inclusion in *Hansard*. I will ask Rod Keller to comment on the Port River crossing.

Mr Keller: We have put together a study that has been funded by about five different groups, of which the MFP is one and the Port city council is another, on whether we need a crossing over the Port River. The second half of the study is, if we do need a crossing over the river, whether it should be a causeway, an opening bridge, or a high or a low level bridge and so on. That is due in a couple of months and then a decision will be made on where we go from there. It is not really an MFP activity, except that for us to design a proper connection between the Gillman area and Port Adelaide we need to know whether it is likely that a causeway or a crossing will occur and where it will occur so that we can make allowances for it in our design and make sure that we do not interfere with it. It is most likely, if a crossing goes ahead, that it will go between No. 1 dock and No. 2 dock at Port Adelaide.

The Hon. Lynn Arnold: I shall watch this with great interest, electorate willing. It has the potential to be in an electorate that I hope to have the honour to serve.

Mr De LAINE: The Program Estimates (page 13) states that a specific target for 1992-93 is, by June 1993, to have increased the number of business/skilled migrants from Europe electing to settle in South Australia by 20 per cent, with the overall objective of doubling skilled migration into the State over a four year period. Has this target been set in conjunction with the Federal Government, and has the Federal Government indicated a desire to assist by tailoring its migration criteria to accommodate our needs?

The Hon. Lynn Arnold: The answer to the first question is 'Yes.' Secondly, I refer the honourable member to comments I made yesterday in Estimates Committee B when I was wearing my hat of Minister of Industry, Trade and Technology. We work very closely with the Federal Government. Indeed, it was South Australia that promoted the concept of State-specific programs in the area of migration generally. This year, at the most recent meeting of Ministers of Immigration and Ethnic Affairs, the Hon. Gerry Hand indicated his agreement to see such State-specific programs developed within the context of general principles that apply across the whole country. He recognised the leading role that South Australia has played in pushing for such things to happen.

I cannot advise at the moment the status of the discussions between officers of the State Government and the Federal Government in trying to help define such a State-specific program but, when I am in a position to be able to do that, I will advise the House.

Mr De LAINE: A specific target for 1991-92 was to develop a close working relationship with key British and German companies considering substantial investments in value-added processing of mineral sands and petrochemicals in the Whyalla region. What degree of interest has been shown by these key companies?

The Hon. Lynn Arnold: I will invite Dr Peter Crawford to respond to that question.

Dr Crawford: A number of companies have shown interest. As suggested, European companies are interested in developing titanium dioxide which comes from these mineral deposits. A German company is one of the three

or four companies involved in the current feasibility studies associated with the development of the petrochemical industry at Port Bonython. These are two examples, particularly in the Whyalla area, of German and European companies intimately involved in these areas.

Mr BRINDAL: I note from the Estimates of Payments (page 27) that capital spending for the Grand Prix Board in 1991-92 was \$800 000 above budget. What is the reason for that, and is the Premier prepared to provide this Committee with a list of those people who were invited guests for the Grand Prix, where they stayed, how they travelled and what were the costs?

The Hon. Lynn Arnold: I take it that the honourable member is referring to those people who were guests of the Government at the Grand Prix through the State Suite, the Department of Industry, Trade and Technology part of the complex, or Tourism South Australia. Obviously, we are not in a position to report on guests of other organisations.

Mr BRINDAL: Guests of the Grand Prix Board itself.

The Hon. Lynn Arnold: Yes, we can obtain that information. The honourable member has asked a number of questions about details concerning their visit. I do not know whether we can go into specifics about whether United Yellow Cabs or Suburban Taxis were used, but I guess we can provide general statements about the kind of support that might have been offered without getting too specific.

Mr BRINDAL: I refer to page 27 of the Estimates of Payments with regard to the Grand Prix Board. The Economic and Finance Committee has made a number of recommendations affecting the future operations of the Grand Prix Board, as follows:

The committee is of the opinion that the board review its policy of undertaking joint ventures. Given the risks involved as evidenced by losses incurred, the committee recommends, as a matter of prudence, that the board enter licensing agreements with private enterprise whereby royalties or similar payments are received by it.

The committee recommends that the Government Management and Employment Act be amended to require the inclusion in annual reports of statutory authorities' financial statements and summary information on the operations of subsidiary companies, trusts, partnerships and joint ventures through which the statutory authority carries out its functions.

The committee recommends that the Australian Formula One Grand Prix Act be amended to include strict standards relating to: conduct of board members and executive staff; conflicts of interest; loans to employees and office bearers; and duties of honesty, care and due diligence.

My question to the Premier is quite simple: is the Premier (and this Government) prepared to give an undertaking to this Committee that he will honour the recommendations of the Economic and Finance Committee?

The Hon. Lynn Arnold: The honourable member would well know that section 19 of the Parliamentary Committees Act requires me as responsible minister to respond to committee reports, and I shall do so. It also requires me to do so within four months, and I shall do so. It requires that, when I do respond, I table the response in Parliament within six sitting days, and I shall do so. A number of issues are raised in that report. There are many comments and recommendations that deserve very detailed consideration. The Committee's work deserves to be given that due accord, and what I will be

doing on this matter is to set up a committee to consider and report on what action, if any, should be taken on each of the recommendations of the committee.

That committee will comprise representation from the board; the Executive Director of the board or delegate of that person; somebody from the Office of Cabinet and Government Management; a Crown Law officer; and somebody from my own office. All the relevant findings, recommendations and the points made in the report will be referred to this committee, and I would anticipate receiving a report. I will consider that report and I shall abide by section 19 of the Act.

Mr BRINDAL: My last question relates again to the Grand Prix Board, and the Premier may need to take this on notice. Can the Premier explain why documentation before the lands Titles Office and the Australian Securities Commission shows that stamp duty providing only \$300 000 of security has been stamped on a mortgage that was supposed to secure a \$1.2 million loan from the State Bank to South Australia to Goodsports Pty Ltd for the purchase of a property in Kent town?

The Hon. Lynn Arnold: The honourable member is asking about Goodsports?

Mr BRINDAL: I am asking about the loan that was made by the State Bank, supposedly in connection with a mortgage, and I believe it was stamped for stamp duty of only \$300 000.

The Hon. Lynn Arnold: I will have to take that on notice.

Mr DeLAINE: I refer to page 8 of the Program Estimates and State disaster planning control and relief. Under the 1991-92 specific targets, it states:

The management and support staff organisation for the State emergency Operations centre was reviewed and a new structure introduced.

Has there been any time to assess this new structure and the part played by the State Emergency Operations in the recent flooding of this State?

The Hon. Lynn Arnold: The State Disaster Act was last reviewed in 1985 following the 1983 Ash Wednesday disaster and the State Disaster Committee considers further review is now needed to ensure the legislation remains appropriate to the State's needs. One issue being examined is the feasibility of applying the State Disaster Plan and the State Disaster Organisation to major emergency incidents; that is, incidents which although falling short of being a disaster should best be co-ordinated in the same way as the procedures in the State Disaster Plan. The review will be concluded this financial year.

The State Disaster Plan will also be reviewed in this financial year, particularly with respect to improving the arrangements for dealing with recovery from disaster. This will include the establishment of a planning committee comprising relevant agencies to prepare recovery plans and procedures at all levels across the State. The recovery planning committee will report to the State Disaster Committee.

The Hon. DEAN BROWN: Returning to the MFP, earlier this evening the Premier tabled a list of capital works programs for 1992-93. That lists \$14 million for land acquisition. Can the Premier give details of what land is to be acquired this year?

The Hon. Lynn Arnold: Mr Keller can provide some details on that. Clearly the member would not be

expecting us to give detailed itemised reports on each potential property that might be subject to acquisition.

Mr Keller: The major areas are certainly the Wingfield tip and the Dean Rifle Range and potentially a few smaller properties associated with the main entrance road and a canal that adjoins Port Adelaide with Gillman.

The Hon. DEAN BROWN: Will that be purchased under compulsory acquisition?

Mr Keller: Most likely Wingfield tip and the Dean Rifle Range will need to be acquired under compulsory acquisition, yes.

The Hon. DEAN BROWN: Can we be provided with perhaps a map showing the areas to be acquired so that we can get an idea of what areas you already have and what additional land needs to be acquired?

The Hon. Lynn Arnold: It might be better if we provided a map of land within Government ownership and land that is not, but my guess is that it is not anticipated that all the land not in Government ownership will be required in the whole MFP area.

Mr Keller: At present the tip is owned by Adelaide City Council, even though it is purchasing some of it from Enfield council, and I am not sure whether that arrangement is totally finished or otherwise. Dean Rifle Range is owned 50 per cent by the State Government and 50 per cent by Adelaide City Council. Those areas are well defined. The land that may need to be acquired for the entrance road and/or canal for the connection cannot be defined fully until the study determining whether we need a causeway across the Port River is finished.

Once we have that information we will be able to finalise a design for the most appropriate major connection between Port Adelaide and the Gillman area. That route will be designed to get the best route involving the least amount of acquisition. That will not be available until the end of the year, but the tip and the rifle range are well defined now.

The Hon. DEAN BROWN: I refer to the Economic Development Board and to the decision to put it under the Premier's line (which decision was taken before the change of Premier): what are the Premier's intentions in terms of maintaining a Ministry of Industry, Trade and Technology, and what role do you see for that Ministry?

The Hon. Lynn Arnold: I will deal, first, with the location of the budgeted amount. Its presence under the Premier's lines was a holding arrangement. It was quite clear that the work of driving the establishment of the Economic Development Board was being handled at officer level by the Department of Industry, Trade and Technology. However, as I mentioned yesterday in answer to similar questions, because this board will have oversight of the disbursement of moneys to other areas of Government, it was felt appropriate that it be included in the Premier's lines.

As to the second part of the question, I am not about to be dragged into anticipating what may or may not happen in the ministerial revamp that will take place in the next couple of weeks.

The Hon. DEAN BROWN: This question is important and it involves a principle. Do you envisage the Economic Development Board being driven by the Premier or by the Minister responsible for industry, trade and technology or something similar?

The Hon. Lynn Arnold: I suggest that the honourable member wait.

The Hon. DEAN BROWN: A fairly important and fundamental principle is involved. You are asking us to give \$40 million to economic development, and I would like to know the proposed extent of ministerial control of that expenditure. I do not want to know the name or identity of the person.

The Hon. Lynn Arnold: This is a brave, amateurish attempt to anticipate the reshuffle. The honourable member well knows, having himself been a Minister in various political reincarnations, that all members of Cabinet have ministerial responsibility for the areas delegated to them. The Premier is one member of Cabinet, as is every other Minister. Therefore, Cabinet responsibility and oversight of the board will be there whatever the outcome of the reshuffle.

The Hon. DEAN BROWN: Under 'Other capital expenditure' on the miscellaneous line under the Entertainment Centre, there is an allocation of \$137 000 for this year, but the total is \$1.307 million. Has a mistake been made?

The Hon. Lynn Arnold: The figure of \$1.307 million is a repeat of last year's actual outcome; so that is a typographical error.

The Hon. DEAN BROWN: What should it be?

The Hon. Lynn Arnold: It should be \$137 000.

The Hon. DEAN BROWN: So, the expenditure this year will be \$137 000?

The Hon. Lynn Arnold: Yes.

The Hon. DEAN BROWN: The mistake is in the total, not in the upper line?

The Hon. Lynn Arnold: Yes. I refer the honourable member to the total for the actual and voted figures for 1991-92, where the figure \$1.307 million appears four times.

The Hon. DEAN BROWN: I notice this year that the allocation has gone from capital expenditure to a grant for the Grand Prix. I may have missed an earlier question on that. Why the change?

Mr O'Flaherty: It picks up on a statement that the then Premier made last year to the Estimates Committee about the need for some supplementation to the Grand Prix on an on-going basis, which was a financial supplementation and which was justified on the grounds that the economic benefit from the Grand Prix to the State warranted that continuing grant as long as it fitted within the guidelines set down by the Government at that time.

The Hon. DEAN BROWN: You are anticipating a loss of about \$3.5 million on the Grand Prix this year?

Mr Foreman: As I think Mr O'Flaherty was explaining, rather than that being picked up as a capital expenditure later, it is being provided on an ongoing basis in anticipation of some loss of that order.

The Hon. DEAN BROWN: A loss of about \$3.5 million?

Mr Foreman: That is my understanding, yes.

The Hon. DEAN BROWN: As I understand it, the Grand Prix was supposed to be constrained to a \$2 million loss in 1988 dollar terms, which, on my calculations, would take it to only about \$2.6 million on present day costs.

The Hon. Lynn Arnold: Unfortunately—and this is an apology to the Committee—we do not have an officer from the Grand Prix here. So, I will take the question on notice and come back with a considered response.

The Hon. DEAN BROWN: Under overseas visits by the Premier and his wife and other officers it would appear that the Premier will be busy in the next 12 months, as \$132 000 has been allocated for that purpose this year. It looks as if some pretty grand trips are coming up, particularly as only \$2 700 was spent last year. Can the Premier outline where he is going, how frequently and will Parliament be sitting while he is away?

The Hon. Lynn Arnold: The honourable member will recall that in July of this year my predecessor went to Barcelona and there were costs associated with that trip. In fact, that is essentially the figure referred to in that item.

Mr BRINDAL interjecting:

The Hon. Lynn Arnold: The date of 1 July 1992 strikes me as being in the 1992-93 financial year. My calendar might be a bit different from that of the member for Hayward.

The Hon. DEAN BROWN: I would like a detailed breakdown of how that \$132 000 was spent.

The Hon. Lynn Arnold: I will provide a detailed breakdown of the figure.

The Hon. DEAN BROWN: I would like to know who travelled under that allocation and how much was allocated for travel, accommodation, entertainment expenses and other expenses.

The Hon. Lynn Arnold: We shall provide a breakdown of those figures.

The Hon. DEAN BROWN: I am particularly interested in, and support, the women's suffrage line. I appreciate the fact that the member for Coles has been included on that committee. Given the hour, can the Premier table some information on that line?

The CHAIRMAN: There is no provision to table documents.

The Hon. DEAN BROWN: To provide the information to the Committee.

The CHAIRMAN: To provide information to the Committee, but there is no provision to table documents.

The Hon. Lynn Arnold: Reference has been made to the committee chaired by Jean Blackburn and deputy chaired by Mary Beasley and which contains from the various Parties the Hon. Barbara Wiese, the Hon. Jennifer Cashmore and Mrs Heather Southcott and a series of other representatives covering a wide range of South Australian community interests. There is a \$200 000 budget allocation. It is anticipated that some of the funds will be available for grant moneys for community organisations to organise events and projects. Under the Protocol, criteria for grant moneys are to be approved by the Premier. The funds are held in a special deposit account within the department. The staff resources allocated to the celebrations consist of executive support for the steering committee. One AS04 project officer has been allocated to this task. The Women's Adviser is also devoting approximately one third of her duties to the work of the steering committee.

Mr S.J. BAKER: In relation to the Grand Prix, I have been provided with information that for three years the

Army Reserve provided a full medical team which was stationed at the end of Pit Straight in case of serious accidents. For some unknown reason, despite its willingness to continue and the excellent service that it provided, the team is now sourced from elsewhere at some considerable cost. There has been some suggestion of something going astray within the decision-making process.

The Hon. Lynn Arnold: I will take that question on notice and come back with a reply.

The Hon. DEAN BROWN: Under program 4—Policy Advice and Management Improvement—the Auditor-General's Report shows that \$1.1 million was paid during 1991-92 for public relations promotions and advertising. Could the Committee have an itemised account of how this was spent, the reasons for it and who were the outside consultants who undertook the work?

The Hon. Lynn Arnold: Again, to expedite the operation of the Committee, I will take that question on notice and come back with a reply.

The Hon. DEAN BROWN: Also under program 4, expenses were allocated to various committees of inquiry. Again, could we have an itemised list of those expenses?

The Hon. Lynn Arnold: I will take the question on notice and come back with a reply.

The Hon. DEAN BROWN: Under the Port centre project there was a recurrent expenditure last year of \$700 000 when no funds were allocated in the original budget. How has that money been spent? Again, the Premier might care to take that question on notice.

The Hon. Lynn Arnold: Yes, I will take that on notice.

The Hon. DEAN BROWN: On page 22 of the Estimates of Payments and Receipts, sundry fees and charges are estimated to generate revenue of \$610 000. Could the Committee be provided with an itemised list of those receipts and the budgeted amounts for each?

The Hon. Lynn Arnold: I will take that question on notice.

The Hon. DEAN BROWN: As regards the policy advice and management improvement program, which is program 4, again we are budgeted to have receipts for 1992-93 of \$600 000. Could we have the source of those funds?

The Hon. Lynn Arnold: I will take that question on notice.

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

Premier and Minister of State Development,
Miscellaneous, \$81 509 000—Examination declared completed.

The Hon. DEAN BROWN: Mr Chairman, before we conclude, I think it is appropriate formally to record the Liberal Party's appreciation of the very hard work by Mr Guerin as head of the Department of the Premier and Cabinet over so many years. Very few people understand or know how hard the head of that department works. He is, if you like, the behind-the-scenes silent worker. I should like formally to record that and show my appreciation of what he has done for this State and Parliament over the years.

The CHAIRMAN: I do not think there will be any opposition from any member. I thank the Premier, all his staff, and the Committee for their assistance and cooperation.

ADJOURNMENT

At 10 p.m. the Committee adjourned until Thursday 17 September at 11 a.m.