

## HOUSE OF ASSEMBLY

Thursday 23 September 1993

## ESTIMATES COMMITTEE A

**Chairman:**

The Hon. D.J. Hoggood

**Members:**

Mr H. Becker  
 Mr K.C. Hamilton  
 Mr V.S. Heron  
 Mr G.A. Ingerson  
 Mr J.W. Olsen  
 The Hon. J.P. Trainer

*The Committee met at 11 a.m.*

South Australian Tourism Commission, \$14 049 000  
 Minister of Tourism—Other Payments, \$15 003 000

**Witness:**

The Hon. M.D. Rann, Minister of Tourism.

**Departmental Advisers:**

Mr G. Ashman, Administration Manager, Adelaide Convention Centre.

Mr P. van der Hoeven, General Manager, Adelaide Convention Centre.

**The CHAIRMAN:** Does the Minister wish to make an opening statement?

**The Hon. M.D. Rann:** Yes, Mr Chairman. The Adelaide Convention Centre has had an outstanding record since its establishment, and it has had another good year, returning a healthy operating profit and generating well over \$100 million in direct and indirect benefits to the State. This, indeed, is the charter of the Adelaide Convention Centre: to be a generator of new business to South Australia and to enhance the tourism growth and economy of the State. Members would be aware that, from its inception, there has always been the understanding that the Convention Centre would not be self-sufficient, that is, it would not be able to make enough profit to meet all the debt servicing charges that have resulted from the establishment of the centre. Members would also be aware that from its inception it has been recognised that that is the case worldwide: no convention centre is completely self-sufficient anywhere in the world, that all centres rely on some type of grant or tax relief to support them. Despite this, convention centres are seen as a catalyst for the tourism and hospitality industry, that vital piece of infrastructure, with new centres being built all over the world.

Of course, members would be aware that Brisbane currently has a convention centre under construction. Whilst our centre does receive funding from the State budget, it successfully operates as profitably as possible in order to minimise its call on the budget. The charter of the centre—that is, to attract conventions to Adelaide—provides a spin-off that has a generating effect on the economy of South

Australia. Visiting delegates use our superb hotel accommodation and spend money on transport, entertainment, shopping and other tourist related activities whilst attending their conventions. Indeed, it has been established that convention delegates spend, on average, five times more than the usual tourist. For example, during September the Operating Room Nurses' Convention, which attracted delegates from the United States and all around the world, was held in Adelaide, and generated \$6.3 million for this State in just one week.

The nutrition conference, which begins this Sunday, 26 September, has 2 500 delegates registered, and Adelaide Convention and Tourism Authority estimates that that will generate \$6.7 million to the economy. In July 1991, the centre took over the operation of the car park and is gradually moving into selected outside catering ventures as it endeavours to realise greater profits without affecting its principal role and charter. It is evident from the booking statistics that the number of events held in the centre has increased substantially over the past three years.

Whilst the food and beverage income has declined, this is due to the return per head of delegates reducing significantly. However, despite the reductions in revenue, it will be noted that gross operating profits have been in excess of \$1 million in the past three years and in line with budget estimates. The centre has been able to maintain these results by constant efficiency reviews aimed at minimising costs in all areas. Indeed, profitability has increased despite the fall in revenues. In these times of a very competitive hospitality and convention industry, I am delighted to be able to announce today that the centre has recently received its 4 000th booking for a convention in this State.

I would like to thank the members of the board, the management and the staff who continue to work hard in order to make the Adelaide Convention Centre one of the best not just in Australia but in the world. I would also like to make special mention of those board members who have retired in the past year, particularly Mr Graham Inns, who was chairperson of the board since the working group was formed in 1981 (he has been replaced by Mr Bob Nicholls), and Mr Chris Evans. I would also like to pay tribute to Mr Pieter Van der Hoeven who is at the table here today for ensuring that South Australia performs far better than Western Australia, Queensland and many other areas in terms of delivering conventions.

**Mr INGERSON:** I note from the Auditor-General's Report (page 4) that the room hire and the technical service section of the Convention Centre was down compared with that of the previous year. As the Minister mentioned, I note that the Government now contributes \$7.5 million per year. I understand that a significant part of that contribution relates to the long-term financing of the centre. What are the forward bookings for the Convention Centre for this financial year? How do they compare with those of last year? What revenues generally were generated last financial year from the lease of the Exhibition Centre?

**The Hon. M.D. Rann:** The current and forecast bookings over the next three years as of 31 August 1993 are as follows: in 1992-93, actual bookings, 575; in 1993-94, 255 actual bookings and 450 forecast; 1994-95, 56 actual bookings, 455 forecast; and 1995-96, 36 actual bookings, 460 forecast. Does the honourable member want details for the Exhibition Hall as well?

**Mr INGERSON:** Yes, and what revenue was generated.

**The Hon. M.D. Rann:** In terms of the Exhibition Hall, in 1992-93 there were 32 actual bookings and 33 forecast bookings; in 1993-94, 27 actual bookings and 37 forecast; in 1994-95, 15 actual bookings and 38 forecast; and in 1995-96, 7 actual bookings and 38 forecast bookings. In terms of the average number of attendees at those conventions, in 1992-93 440 000 people attended functions at the Exhibition Hall. I will now ask Geoff Ashman to comment on the actual revenue projections.

**Mr Ashman:** In terms of actual revenue, of course, whilst we have the booking numbers, until those bookings are actually firmed up it is not possible to come up with a firm budget prediction on the total revenues that will be received from those conventions. So I could estimate them and produce them at a later date, if that is acceptable.

**Mr INGERSON:** Thank you. There has been public comment that the Exhibition Centre is not used on many days of the year; as we drive past, we do not see many functions going on. Could the Minister advise us of some exhibitions that have been held in the centre, how many days were booked last year and what is the forecast for this year?

**The Hon. M.D. Rann:** I have just cited the numbers in terms of actual bookings and forecast bookings, but I invite the General Manager of the centre, Pieter Van der Hoeven, to talk about the nature of some of the events booked there.

**Mr Van der Hoeven:** Although it is true that the public at large may not see much activity in the Exhibition Hall, it is mainly because most events staged in the Exhibition Hall are convention related, therefore the public has no need to have access to them. On the whole, last year the Exhibition Hall itself had an occupancy of 152 days, more than a 50 per cent requirement for convention days. In addition, it had some 32 days of public exhibitions, if you like, as an addendum. People think that the building is not occupied, but it is, because of the convention relationship it has with the congresses.

**Mr INGERSON:** One of the areas in which I asked questions last year and which is a continuing concern of mine is the financing of the building and the lease liability. Is there any flexibility in that agreement that would enable the Government to renegotiate some of those lease payments? The reason I ask that is a pretty obvious one: in the past 12 months there have been some very significant reductions in interest rates and a lot of leasing costs in the general community have reduced. I wondered whether this lease, which is a very long-term one, is locked into high interest rates or whether the Government has some flexibility in renegotiating.

**The Hon. M.D. Rann:** I will take some of that question on notice. The South Australian Government has a 40-year lease agreement, which started in 1987, with the ASER Property Trust, the lease being based on capital costs on which interest is charged initially at 6¼ per cent but indexed each year to the CPI, and it currently equates to 6.51 per cent as at 30 June 1993. I point out that the Exhibition Hall is separate from the ASER arrangement; there is a low start loan from SAFA starting at \$16.6 million construction costs to be repaid over 25 years. I will take the rest of the question on notice.

**Mr HAMILTON:** Mr Chairman, I understand this may be the last time you chair these Committees. I believe that you have done a very good job indeed, and I want to put that on the record. The Minister said in his opening remarks that on a worldwide basis convention centres are not self-sufficient: they do not make sufficient profits to meet all debt servicing charges but, instead, are regarded as a catalyst for

the tourism and hospitality industries. Can the Minister give further details on the economic benefits that the Convention Centre generates for the State and, indeed, the people of South Australia?

**The Hon. M.D. Rann:** It is true that the Convention Centre does not make a sufficient profit to meet all debt servicing charges and depreciation allowances on the building. As I said before, this is the situation worldwide and this has been mentioned every year in Estimates and in Parliament, so there is nothing new in this. The situation worldwide is that Governments—either local or State—deficit fund their convention venue as they recognise the generator effect that these facilities provide. The generator effect means that the spinoffs to other sectors, such as tourism, hospitality and related industries, are substantial. In addition, there is the multiplier effect to suppliers of goods and services to support these industries and the employment factor, particularly of casual labour, which it engages in large numbers.

Members might be interested to know that the centre has over 200 casual employees on its books and the major hotels would supply numbers in excess of that. It is estimated that the direct benefits received from the convention venue would represent only 10 per cent of the total expenditure of the delegates. The remainder is spent on transport, accommodation, entertainment, restaurants, shopping and so on.

I would like to pursue that because it is the most critical point—as it will be with the Grand Prix and a range of other things we will be discussing today. The estimated economic benefits in dollar terms to the State—which are based on purely interstate and international visitors and do not include any local or intrastate functions or delegates—are as follows: room nights booked for delegates, 187 500; hotel accommodation at an average of \$140 a night, \$26.25 million; delegate spending at an average of \$125 a day, \$23.44 million; and the multiplier effect, \$79.5 million. So, the total revenue to the State is \$129 million plus. This is using a formula as advised by the Bureau of Industry Economics.

*Mr Becker interjecting:*

**The Hon. M.D. Rann:** No, to the people of the State.

*Mr Becker interjecting:*

**The Hon. M.D. Rann:** That is absolute baloney.

**The CHAIRMAN:** Order! I would suggest that the honourable member not interject and that the Minister not respond.

**The Hon. M.D. Rann:** The Australian Tourism Commission, in a recent survey, found that international convention delegates visiting Australia generate many hundreds of millions of dollars annually. It has been established that Australia's international visitors spend five times more than the average tourist. I will now invite Mr Van der Hoeven to comment further on the economic benefits to the State.

**Mr Van der Hoeven:** The figures that the Minister has just mentioned are the statistics on which we can lay our hands. However, it is more far reaching than that. For example, on average, international delegates and accompanying persons spend \$560 a day and they stay some 12 nights. Of those 12 nights they spend 50 per cent in the convention destination itself and the rest is spent outside that destination, within Australia.

Of those surveyed by the Australian Tourism Commission, 75 per cent said that they would not have visited the destination unless there was a convention. I think it is quite ominous that conventions are, if you like, an enormous attraction to generate the tourism dollar.

**Mr HAMILTON:** Is any information available that determines the multiplier effect, particularly on the rural sector or the country regions of South Australia, in terms of the benefits from the Convention Centre? I imagine people would go out into the country. Has any information been culled out to that effect? If so, what effect does it have on country South Australia?

**The Hon. M.D. Rann:** That is a good question, which I will take on notice and details on which I will seek from ACTA (Adelaide Convention and Travel Authority). We are constantly in a whole range of ways trying to think of how we can spin out things to regions. This is not just an Adelaide focus. The Grand Prix this year launched for the first time, in conjunction with the Tourism Commission, a major campaign in other States in terms of winning South Australian holidays, with proposals such as 'Come over for the Grand Prix in a package', which also includes visiting Kangaroo Island, the Barossa Valley, Eyre Peninsula, etc.

**Mr HAMILTON:** We are all constantly reminded of the effects being felt worldwide because of the economic downturn on business. Can the Minister give further information on the effect this has had on the trading results of the Convention Centre?

**The Hon. M.D. Rann:** The truth is that we have been getting more people through but the yield is less because we have had to be more competitive. We have had to cut costs in order to secure events. I will ask Pieter to give the figures, but we are doing monumentally better than Perth and Brisbane in securing conventions. I doubt that you will read that in the papers. We have been doing exceptionally well in terms of our share of the national convention total.

In terms of the current business and the effects of the economic downturn, as evident from the booking statistics, the number of events held in the centre has increased over the past three years during the recession. However, our food and beverage income has declined, and this decline is due to the return per head of delegate reducing significantly—in real terms, approximately 22 per cent over three years. So, what we have seen is more conventions won, and we have been doing better in getting our share, but obviously during the recession we found that people were spending less, just cutting back a bit. I will ask Pieter to add to that.

**Mr Van der Hoeven:** It is quite noticeable that we are reaching capacity as far as occupancy is concerned. The likelihood of our increasing our revenue base, unless people's spending patterns change, is quite remote until such time as we get out of this difficult economic period. We had an increase of 30 per cent in bookings compared with last year. We had an increase of 27 per cent in delegate numbers from 345 000 to 440 000. That trend will probably continue, if I can just judge it on this month alone, and as the Minister has said we have had two conventions where the numbers were fully subscribed. It is encouraging to see they have also consumed a little better other than tea, coffee and biscuits. We are probably getting ourselves slowly out of this situation over the year to come.

**Mr HAMILTON:** With respect to the people who attend our Convention Centre, can the Minister indicate where they come from, particularly those from overseas? I would imagine the Asia-Pacific region is one of critical importance to Australia and South Australia. Has the Minister a breakdown of the figures relating to visitors from interstate?

**The Hon. M.D. Rann:** That is fairly true, and I will ask Pieter to comment in more depth on this, but in terms of the destination source I think you will find that interstate would

be about 42 per cent; local, about 53 per cent; and international, which often tend to be the huge ones such as those we have just talked about, about 5 per cent—that is in terms of the percentage of the number of events. It is true to say that we do very well in a number of areas. We have very active offices in New York and in Paris, and they have each certainly underpinned their worth to the State by generating millions of dollars worth of income and expenditure through the conventions they have secured. We are currently targeting a number of areas, including Boston, which is the university city of the United States with about 100 universities and colleges, and we are also looking at other parts of Europe. I ask Mr Van der Hoeven to respond further.

**Mr Van der Hoeven:** Our New York office, as an example, concentrates mainly on the medical technology and automotive-type conventions, because South Australia is known for those products and has those manufacturers and the medical sphere here. Last year 821 contacts were established, which led to 244 leads within Australia and, as a result, 26 conventions have been booked for the next 10 to 15 years. In total, that generated some \$3.4 million just for the Convention Centre. Last year our Paris office produced 581 contacts, which led to about 182 leads, and 14 conventions have now been booked. One of them is the World Esperanto Convention, which will be held here and which we won from Seoul, Korea. That was quite a coup. Those bookings have generated some \$2.4 million.

In addition to that we are now very much concentrating on the Asian markets, and particularly those markets with direct air links with Adelaide such as Jakarta, Singapore, Kuala Lumpur and Hong Kong. Currently we handle that from our Adelaide base and, with the latest new incentive package that we have launched in that area, it looks as though over the next two years we will get two movements of some 1 200 insurance agents to this State from Singapore, so we are slowly breaking into that market as well.

**Mr HAMILTON:** In terms of statistics, have the current and future bookings reached expectations?

**Mr Van der Hoeven:** We have reached expectations in the sense that the destination has to do the talking rather than the Convention Centre. With an occupancy rate of over 75 per cent, I suggest that we have probably reached our target. From an overall Australian perspective, before the Adelaide Convention Centre opened its doors our total market share in the convention business was some 6 per cent, whereas currently it is 14.8 per cent. Sydney's share is 21 per cent, and Melbourne's is 18 per cent. I think we are currently reaching the level that we would wish for.

**The Hon. J.P. TRAINER:** Mr Van der Hoeven quoted some figures on contacts, leads and eventual bookings. How do you define a 'contact', and how do you define a 'lead'? The figures that he quoted seemed to suggest about half of all contacts became leads, and about 10 per cent of all leads became bookings.

**Mr Van der Hoeven:** Our offices overseas identify those companies that set the technology in the automotive and medical spheres, and we marry them with Australian contacts, because it is always the Australian contacts which have to bid to bring the convention from overseas. That is when we start to help the Australian contacts to generate interest to bid overseas. There is an enormous drop-out rate because a lot of contacts say they are not interested in putting in a bid, or they believe there is no need for it, and some say they do not have a regular convention. That is why the number of

bookings is so small in relation to the large number of contacts.

**Additional Departmental Advisers:**

Dr M. Hemmerling, Executive Director.

Mr A. Daniels, Finance Manager.

**The Hon. M.D. Rann:** I would like to thank Pieter van der Hoeven and Geoffrey Ashman for their contribution both to this Committee and to the State. The Committee will not find the line here in the Estimates, but I have heard various statements from the Leader of the Opposition, Dean Brown, and I am very surprised he is not here today. It is about time he put his action where his mouth is in terms of the Grand Prix.

The Grand Prix is of vital importance to South Australia's tourism and economic development. I want to refer to some figures before we hear the Opposition's usual doom and gloom. We were told yesterday that the Opposition was boasting that the *7.30 Report* would come down here today to do a job on the Grand Prix, that the Opposition had been able to secure that program. In 1992, the Australian Formula One Grand Prix commissioned Price Waterhouse Economic Studies and Strategist Unit to evaluate the economic impact of the 1992 event. Among the major findings was that the benefit cost ratio was 4.1, and that level has not diminished over 8 years. The event has generated conservatively a \$37.4 million cash benefit for South Australia. The State Government receives \$1.1 million additional tax revenue, and on behalf of the State the Grand Prix Board holds property, plant and equipment valued at \$12.8 million after depreciation.

Further, 1 875 casual part-time positions have been created. That is something the Opposition might want to take on board. An equivalent 96 full-time positions have been created, and that figure does not include the multiplier effect. An additional 70 000 visitor bed nights result from the event. The Price Waterhouse survey found that 74 per cent of all visitors would not prefer the Grand Prix to be held elsewhere. So, even if they live in Sydney, Brisbane or Melbourne, they prefer it to be held in South Australia. Seventy-two per cent of hotels, motels, restaurants and entertainment outlets believe the event has a positive year-round impact—not just for the few days of the event—on their businesses.

According to this survey, 70 per cent of businesses believe that the event has a long-term positive effect on the State's economy; 59 per cent of interstate visitors and 46 per cent of international visitors would not visit Adelaide at event time in a two-year period were it not for the Grand Prix; 83 per cent of interstate visitors and 51 per cent of international visitors are likely to return for a subsequent Grand Prix; and overseas visitors spend an average of 10.6 nights in South Australia, including the four-day Grand Prix period.

So, it is vitally important for our State. It is also vitally important that the State secure the Grand Prix beyond the expiry of the contract in 1996. This morning, having been tipped off about some of the fun and games prepared by the Opposition for today, I lay down a challenge.

*Mr Becker interjecting:*

**The Hon. M.D. Rann:** The honourable member says that Dean Brown lied on television the other day. I challenge Dean Brown to come in here now and say whether or not the Opposition is prepared in a bipartisan way—

*Members interjecting:*

**The CHAIRMAN:** Order!

**The Hon. M.D. Rann:** —to support the securing of the Grand Prix contract beyond 1996. Is the Opposition prepared

to join with the Government in supporting the bid to secure this event post 1996 to the year 2000 and beyond? I will also ask members opposite whether they have confidence in the members of the board: people of the calibre of Ross Adler, the head of Santos, and Henry Ninio, the Lord Mayor. Some of the decisions that Opposition members have attacked were made when the former Lord Mayor (Steve Condous) was a member of the board. Do they think he is a goose? They endorsed him for preselection.

My point is that, when Dr Hemmerling meets with Mr Ecclestone for talks on the future of the race in Adelaide, I would like to be able to say that there is unequivocal support from the Opposition as well as from the Government to secure this event post 1996, because the clear message that is being given to the international motor racing community and to the people who run the Grand Prix around the world is that the Opposition in this State does not like the Grand Prix. Members opposite try to diminish it and tear it down day after day, week after week, year after year. In this Chamber a series of attacks has been made on the Grand Prix. We even had Dean Brown popping up and saying that \$2 million would be spent on an international artist. That was an absolute lie. That is not the amount of money that has been provisioned in the—

**The CHAIRMAN:** Order! I remind the Minister that normal parliamentary procedure applies; that remark is unparliamentary.

**The Hon. M.D. Rann:** Thank you, Mr Chairman. That was not the amount that was provisioned. If members opposite had looked at the budget papers, they would have seen the provision which was made for the concert and which was made publicly. Dean Brown stood up on television and postured; the cardboard cut-out tried to fill in a few of the cracks. The fact is that we will be under budget for the concert, and there will still be plenty of money for your free tickets.

**Mr INGERSON:** There must be three reasons for this outburst: first, an election must be approaching, which is a surprise—

*The Hon. M.D. Rann interjecting:*

**The CHAIRMAN:** Order!

**Mr INGERSON:** Secondly, there must be a terrible flagging in your position, Minister, in your run-up to the leadership after the election.

*The Hon. M.D. Rann interjecting:*

**The CHAIRMAN:** Order! I point out to the Minister and to the member for Bragg that I have already stated on two occasions the necessity for all remarks to be addressed through the Chair. While everything is sweetness and light, that must sound like a piece of extreme pedantry from me; indeed, I was slightly embarrassed because I had to pull up the member for Walsh on this point. However, when the temperature rises we begin to understand the wisdom of Standing Orders and why they try to depersonalise exchanges a little by banning the second person singular and requiring that all remarks go through the Chair. I ask the Minister not to interject, and I ask the member for Bragg to address his remarks through the Chair.

**Mr INGERSON:** Thank you, Mr Chairman. Thirdly, what has obviously happened is that the Minister is practising his new elocution lessons, because we are having this broad and clear preciseness of voice, which I have not noted before.

*Members interjecting:*

**The CHAIRMAN:** Order!

**Mr INGERSON:** There has never been any doubt about the Liberal Party's support for the Grand Prix. Indeed, the initial negotiations to bring the event to Adelaide, in which the Hon. Michael Wilson was involved, began during the period of the last Liberal Government. Those negotiations were initiated with the full knowledge of the then Liberal Government. We acknowledge that John Bannon negotiated for and secured the Grand Prix for Adelaide—we accept that. We remind the Committee that the Opposition gave John Bannon a pair so that he could go to London to negotiate that agreement on behalf of South Australia. That is a very important point, as the Minister would understand.

The Opposition supported the legislation that allowed the event to be staged in the streets of Adelaide, and it has had constant liaison with event officials at board level to make sure that not only jobs that would benefit South Australia were created but that the event would continue in this State as long as the Parliament and the Government required that to occur. The Minister is well aware that recently the Opposition advised the board of its continuing support for this event, and through that comment to the board it has reaffirmed the continuation of its long-term support for this event in South Australia. The Minister is aware of that.

*Members interjecting:*

**The CHAIRMAN:** Order!

**Mr INGERSON:** We acknowledge the long-term economic benefits to this State, but we also acknowledge the right of any Opposition to question the administration of the event—and that is what we have done. We believe that any Opposition in this State deserves and must be given the right to question the administration, because after all a significant and positive contribution is made by the Government of South Australia, and consequently the taxpayers, to this event.

It is important to note also that in this whole issue we have had the same political nonsense put forward by this Minister as we had during the State Bank debacle. I point out to the Committee that a private member's motion, in which he criticised the Opposition for asking questions about the State Bank, was moved by this Minister. During that debate, this same Minister said that Marcus Clark was a brilliant manager—

*The Hon. M.D. Rann interjecting:*

**The CHAIRMAN:** Order!

**Mr INGERSON:**—and that, in essence, he should be congratulated and should continue to remain in that position. We all know the debacle that resulted from that. There is no suggestion that the Opposition is equating the Grand Prix with the State Bank; we are purely and simply making the comment—

*The Hon. M.D. Rann interjecting:*

**The CHAIRMAN:** Order!

**Mr INGERSON:**—that this same Minister got up in this House and criticised the Opposition on those issues. My first question is: will the Minister publicly endorse the bipartisan approach of the Opposition in supporting the long-term continuation of the Grand Prix in South Australia?

**The Hon. M.D. Rann:** It would be impossible for me to do so whilst we have the Leader of the Opposition, who refuses to come into this Chamber today, saying the sorts of things he said about the Grand Prix on television two weeks ago—\$2 million for the concert—and a member opposite actually attacking Tina Turner personally in the most gross and vile way that I have ever seen. This was before the

shadow Minister appeared with me at the premiere of Tina Turner's film. They try to have it both ways.

*Mr Ingerson interjecting:*

**The CHAIRMAN:** Order! I call the member for Bragg to order.

**The Hon. M.D. Rann:** They try to have it both ways.

*Mr Ingerson interjecting:*

**The CHAIRMAN:** Order! The Chair does not appreciate it when it calls a member to order and he continues to interject, because that involves two infringements of Standing Orders: first, the interjection itself, which is disorderly; and, secondly, defiance of the Chair. I again call the member for Bragg to order.

**The Hon. M.D. Rann:** As I said the other day in Parliament, we have seen members of the Opposition try to have it both ways. They are entitled to ask questions about the Grand Prix or anything else. Indeed, there is actually no line today in the budget papers; I have made this time available especially because I knew that there was to be a media stunt here today. I offered this time to the shadow Minister. Instead of going for the 30 second or 9 second grab, I invite the media to go to the *Hansard* over the years and look at what was said late at night about the submarine project. They said that we were not going to win it, that it was a stunt. Stephen Baker said that we would not get in on time, that it would be a industrial relations disasters—all these things. Year after year, the attitude regarding the submarines has been against—regarding the Grand Prix, against. I want to know when the real Dean Brown will stand up, and let us see where he really does stand.

**The CHAIRMAN:** Order! Before I call on the member for Bragg again, I will just give a little bit of general advice to the Committee about the asking and answering of questions. Standing Orders have some things to say about relevance. We are examining expenditure on the Grand Prix Board. So far sitting here in the Chair, I have heard reference to the State Bank and to submarines. We are wandering all over the place. Standing Orders are reasonably free and easy. We are in Committee, similar to Committee of the whole House, but I would caution members about sticking reasonably closely to the point from now on, if at all possible.

**Mr INGERSON:** In my question I requested that the Minister go to the Grand Prix Board and, through Dr Hemmerling (who I understand is going to Portugal tomorrow), convey the bipartisan approach of the Liberal Party with the Arnold Government to support the long-term continuation of the Grand Prix Board. I ask that that be publicly acknowledged.

**The Hon. M.D. Rann:** I want that support to be earned—not just handed out but earned. I heard what the Leader of the Opposition said on television two weeks ago. I heard what he was going to raise in the Chamber. Where is he today? Why does he not have the guts to come in here himself?

**Mr INGERSON:** I want to make clear to all who are present, both members and anyone else who might be involved, that the Minister walked across this Chamber and handed me a personal invitation to go to the Tina Turner concert. That was instigated by the Minister.

*Members interjecting:*

**The CHAIRMAN:** Order!

**Mr INGERSON:** Everybody should be aware that I did not go for myself or the Opposition. I want that clearly understood.

*The Hon. M.D. Rann interjecting:*

**The CHAIRMAN:** Order! I point out to the Minister that a question is being directed to him and, once the question is completed, he is reasonably unfettered in the way in which he responds, subject only to the caution I made to the Committee earlier. So, he should hold his peace.

**Mr INGERSON:** What is the possible date for next year's Grand Prix? What mechanism is available to link in the Grand Prix if we are lucky enough to win the Olympics in the year 2000 either before or after that event?

**The Hon. M.D. Rann:** Going back to another question, I did invite the shadow Minister to attend the premiere. That was my whole point. The fact is that 10 minutes before he went with me across the road to the launch we had Heini Becker attacking what was happening in terms of Tina Turner's involvement. They are trying to get it both ways. It is hypocrisy—hit and run all over the place.

**Dr Hemmerling:** The next year's program will not be determined until November, but at this stage we have three dates reserved for 1994: 30 October, 6 November and 13 November. The final decision on that will be made by the international body later in the year. Regarding linking it with the Olympics in the year 2000, if we are successful—and we all hope we are—the date for the Grand Prix is determined only during the year in which the previous Grand Prix is held. But we can make representations regarding preferred dates, with a fair lead time. We will do that if we are successful.

**Mr BECKER:** Has the number of administration staff at the Entertainment Centre been reduced from 22 to 9 because of the failure to attract sufficient events? If so, has this downsizing led to new classifications and appointments of administrative staff? Were these positions advertised? What are the salaries of all administration staff?

**The Hon. M.D. Rann:** Considerable interest has been expressed in the media and by members opposite concerning the bookings and patronage of the Adelaide Entertainment Centre. The general theme of their questions and that of various columnists' articles is that the AEC is not attracting the same number of events as similar venues interstate. It is hard to compare centres, because some of them are multi-purpose sports and entertainment centres, such as the Perth entertainment centre, which plays host to a national basketball league and has some 16 basketball events. However, in the categories of touring pop/rock music, exhibitions and conferences, the Adelaide Entertainment Centre compares most favourably with similar centres interstate.

In terms of touring pop/rock music, the AEC has 17 events compared with 19 and 17 to the Perth and Sydney entertainment centres, respectively. In terms of exhibitions and conferences, the AEC has 13 events, compared with 3 and 5 at the Perth and Sydney entertainment centres, respectively. Given these figures, it is easy to see that the AEC is doing particularly well at attracting artists and exhibitions to South Australia. I believe that Sydney has recently been recognised as one of the best run centres in the world, and we compare favourably with the Sydney Entertainment Centre on the number of touring pop/rock concerts we attract. We could certainly never expect to stage the number of performances per event: it is obviously a question of the population.

**The Hon. J.P. TRAINER:** I note that in most years—and this question was provoked by the question that was asked by the member for Bragg about the possible date of the next Grand Prix—the date of the Grand Prix is not very far away from the date of the Melbourne Cup. That is a cultural institution of some long standing in the community: the Grand Prix is a somewhat more modern, more advanced

progressive institution compared with the more than a century old Melbourne cup. Has any thought been given to promoting overseas tours in Australia in which the two are tied together as a package? There would be two attractions: the Melbourne Cup in Victoria and the Grand Prix in Adelaide, just a week apart, and they could be promoted jointly.

**Dr Hemmerling:** The two events have been promoted on several occasions, particularly on the New Zealand and Japanese markets. It is purely by chance that the dates fall in close proximity to each other as it turned out, but we have made the opportunity to try to link the two of them into the same tour package. Equally, we have tried to encourage some relationship between Melbourne and Adelaide through a Grand Prix rally which actually leaves Melbourne, comes through the country districts for promotional purposes and finishes up in Adelaide at the Grand Prix, and they are about a week and a half to two weeks apart. We have done several things to try to tie together the events from an international tourism point of view.

**Mr HERON:** I refer to the Auditor-General's Report and the financial statements of the Australian Formula One Grand Prix Board. I understand that the operating costs of staging the event are less today than in 1986, taking into account adjustments for the CPI. Has this impacted upon our event, or can we still claim the Australian Formula One Grand Prix is the best staged event on the world Formula One circuit?

**The Hon. M.D. Rann:** The honourable member is absolutely correct. The cost of staging the event is less today than it was in 1986, if we take into account the CPI, and this is despite the significant increase in the number of events staged within the Grand Prix carnival from 24 in 1986 to 54 this year. This year's Grand Prix will be South Australia's ninth and I believe it will be the most exciting.

First, there were people who said we would not be able to win the Grand Prix, that we would lose out to the other States, but of course we did win it; then we heard that we would not be able to run it well, that it would be an embarrassment. I remember seeing on the front page of the newspaper that the track would be ripped up. Of course they were proved wrong again. The race has not only survived but it and the organisation have gone from strength to strength. It is an event which wins award after award for excellence—dozens of awards—international and national, not only as a sporting event but for its management. This year it will be even better.

This year we will see a number of firsts: a first time offer for kids 12 years and under to be admitted for nothing provided they have a ticket from Fasta Pasta, which is sponsoring this offer, and if they are accompanied by an adult. That is the first time that I have heard of anything in that regard. There will be the first and only appearance of the world's fastest road car, the McLaren Formula One. I hope to be having a drive in it—I say 'in it', not 'of it'. There will be the world's first all female celebrity race, but featuring Clive James who will be doing an in-car commentary for the Nine Network, and Dame Edna Everidge will also be driving, quite appropriately.

*Mr Becker interjecting:*

**The Hon. M.D. Rann:** She is as bad as Tina Turner, says the honourable member opposite. Clive will also be assisting the official Grand Prix charity, the Crippled Children's Association, by selling sponsor space on his racing suit, with the money going to charity.

I have a special announcement for the *Advertiser*: on Monday, 1 November, in a world first, *Advertiser* motoring

journalist Bob Jennings has been approved to drive a Tyrrell Formula One car along King William Street. This is a strong indication of how highly the racing teams regard South Australia and its motoring journalists. I want to pay tribute to Bob Jennings for being a positive and constructive force for the Grand Prix. There will also be a street demonstration of a Jordan Grand Prix car and other competing vehicles at the Colonnades shopping centre on 31 October. The Grand Prix activities have been extended this year. A fortnight prior to the Adelaide event (this has not been announced), on 24 October, a giant super screen will be in place at the circuit for people to watch the telecast of the Japanese Grand Prix, with car displays, etc. There will also be two additional giant super screens for pit straight and hairpin bend spectators, and a parade of all Formula One drivers in open cars prior to the start of the Grand Prix race.

There is a lot more to come. This will not only be the best Grand Prix we have ever staged but it will be the best in the world. We do not say that lightly, because we win the awards for doing so. The member for Bragg asked me about Opposition support: I would like to hear Dean Brown come into this Chamber and say that he unequivocally has confidence in the board of the Grand Prix, rather than his constant white-anting.

**Mr HAMILTON:** I preface my question by saying that I am one of Tina Turner's most avid fans. I have a great admiration for her talents, her singing and her entertainment ability, and I think it is a credit to the Grand Prix Board and the Minister in particular that they are bringing someone of such international renown to South Australia. Given the number of people who watch the Grand Prix internationally, it is great for this State.

I note from the accounts of the Australian Formula One Grand Prix, shown in the Auditor-General's Report, that considerable funds are allocated to the support of other events. Can the Minister advise the Committee whether there are any supporting events this year recognising the Aboriginal people in this International Year of the World's Indigenous People? It is so important that we do give recognition to our Aboriginal people because of the large number of people who watch this event internationally. Can the Minister also advise what is the expectation in terms of the number of people who will watch this event?

**The Hon. M.D. Rann:** I am just touching on the Tina Turner comments in a positive and light way, because I want members to be assured that there is a kinder, more gentle Mike Rann here today: the other night I had a slow waltz at the Fiesta Dance Championships with Mary Beasley and I also had a more vigorous cha cha with the Hon. Jennifer Cashmore. Technically it was not a cha cha, it was more a sort of a reshuffle at a fast pace. So, if I am prepared to dance with Jennifer Cashmore, I invite the member for Bragg to dance with Tina Turner—come out in a positive way!

*Members interjecting:*

**The CHAIRMAN:** Order!

**The Hon. M.D. Rann:** We have a rather lovely announcement to make today. As we all know, 1993 is the United Nations International Year of the World's Indigenous People. This year's Australian Formula One Grand Prix has recognised this with a program called 'When One Great Race Meets Another'. This program incorporates an Aboriginal logo of the Adelaide Grand Prix circuit, which has been prepared by a member of the Aboriginal Business Break-through Scene—when I was Minister of TAFE that was one of my favourite units. This logo will be carried on a number of Formula One Grand Prix cars, and a 20 metre x 10 metre

painting of this logo will be placed on the pit roof. These logos will be visual and will be telecast by Channel 9 to a world audience of in excess of 518 million people in 101 countries.

Other activities include a 15 metre mural on the inside of the pit wall, prepared by art students of the Port Adelaide Aboriginal Community College; Aboriginal ambassadors on circuit; Aboriginal landscape art of 64 square metres on the lawn near the Grand Prix corporate villas; a large mural in the Grand Prix Club; Aboriginal arts and crafts and Aboriginal artists in residence in the expo; an exhibition at Tandanya to be opened by a Formula One driver; dreamtime storytelling; indigenous sports and crafts in the general admission area, including involvement with school groups; a cultural dance spectacular sponsored by the South Australian Tourism Commission prior to the start of the Grand Prix on the Sunday involving 120 Aboriginal people; the Young Australian of the Year 1990; the Australian junior athlete of the year 1992; the Aboriginal sportswoman of the year 1992, Cathy Freeman, to drive in the celebrity race; and an Aboriginal Battle of the Bands throughout the Grand Prix, the winner to appear with Tina Turner and Daryl Braithwaite in the final concert.

**Mr BECKER:** How many separation packages have been offered to employees of the Entertainment Centre, and has one separation package been offered to a shop steward because management has been concerned about union opposition to some of its actions?

**The Hon. M.D. Rann:** I will invite Dr Hemmerling to respond to this question.

**Dr Hemmerling:** We have not taken into account the issue of the shop steward. We have reduced the number of part-time people from 11 to four, because of the volume of traffic through the centre. The article in the *Advertiser* was completely wrong: we have not offered that type of separation package. At the moment we are negotiating to reduce the number from 11 to four, and four of those concerned will probably take some type of redundancy package.

**Mr BECKER:** Dr Hemmerling said that the article was incorrect. Can he enlarge on that statement—in what respect was it incorrect?

**Dr Hemmerling:** The numbers quoted were incorrect and the \$5 000 was incorrect.

**Mr BECKER:** I assume that we are talking about the core group?

**Dr Hemmerling:** Yes.

**Mr BECKER:** The number quoted as 12 is in fact 11, and the separation package is offered at 5 per cent of last year's earnings; that is, earnings up to \$10 000 would attract \$500; earnings up to \$15 000, \$750; earnings up to \$20 000, \$1 000; and earnings up to \$25 000, \$1 250. The article in the *Advertiser* implied that those amounts had been more than doubled.

**Dr Hemmerling:** The actual figure is \$2 000 and it is being offered to four people, and it is a maximum figure. It is a negotiation limit that we have imposed.

**Mr BECKER:** How many corporate clients are waiting to purchase corporate boxes at the Entertainment Centre, when will these arrangements be finalised and what is the reason for the delays? An article in the *Advertiser* also mentioned something about a person writing to the board expressing concern in relation to the corporate boxes. Mr Michael Coppel sent a fax, I understand, to the Executive Director of the board stating:

The offer to freeze future sales of the corporate boxes in no way addresses the problems caused by the 529 corporate seats that have already been sold—in fact it offers nothing new, as the centre is already seeking to sell unoccupied corporate seats. Whilst any help in packaging other amenities to assist the sale of the remaining corporate seats is welcomed, it is clearly good business practice for the centre to do so, and in no way addresses the real problem at issue.

Unfortunately, in this business 'perception' is everything—and the clear perception that visiting managements carry away with them from Adelaide is of a venue that retains in excess of 600 seats (corporate and house seats) for its own benefit, thereby increasing the 'real' rental cost of the building from 12.5 per cent plus costs to well over 20 per cent.

I would like to raise an alternative proposal for your consideration—that the centre sell the remaining corporate boxes to the clients you have told me are already waiting to buy them, and use this additional revenue to compensate promoters for the corporate seats occupied at each future performance.

**The Hon. M.D. Rann:** On the question of corporate boxes, I met with a group of promoters earlier this year, including Michael Coppel, representatives of the Michael Edgley organisation, Frontier, Bob Lott, and a range of others, in a hotel room at the Hyatt. Quite frankly, their demands were totally unacceptable. We tried to reach a compromise and I have visited Melbourne to talk with Michael. We have read about the ban, but I understand that some of the promoters who have been quoted as banning the centre actually have bookings there for the next few months. That is the ban that was announced in the *Advertiser* in January.

On 2 August 1993, an amended proposal was sent to all promoters regarding the corporate seat issue. The new proposal provides promoters with 100 per cent of the value of tickets sold above 529 at the corporate level. On 7 September, a response was received from Michael Edgley rejecting this offer and requesting 50 per cent of ticket prices for each corporate box patron for the life of the current contracts and thereafter the full ticket price. That would be absolutely unreasonable.

The position of Adelaide Entertainment Centre and the Grand Prix Board has remain unchanged. The corporate boxes were built to provide some capital return to the Government for the construction of the centre. Any distribution of corporate box revenue will reduce the return to the Treasury.

**Dr Hemmerling:** The corporate box issue was discussed with most of the promoters prior to the centre's being built. In fact, they were well aware that the corporate boxes would be in the centre as a means of capitalising the building. I think that most of them would not deny that those discussions took place.

In terms of the corporate box sales to date, we have long-term contracts on them, and we put a position to all the promoters that we are willing to freeze those box sales and that we will actively try to sell the remaining tickets and the revenue will go into their ticket revenue. This was the first deal put to them, and I think the letter that the honourable member has quoted was a response to that arrangement. Since then, there have been further negotiations, and at this stage we have had a response from one promoter and we are awaiting answers from the others.

Our position is clear: we must represent the taxpayers in this and maximise the revenue. Any depletion of the revenue from the corporate box area will go against the tax burden of the centre to the State. As the honourable member will appreciate with these negotiations, it is in the interests of the promoter to try to get more money out of the centre. So, we are trying to reach a compromise whereby both parties are

there. As a result of all the discussions, though, at this stage from our checking with all of the interstate shows coming into Australia at the moment the Adelaide Entertainment Centre has not lost any, certainly not over the period that we have been undertaking the negotiations nor in the foreseeable future, as a result of those negotiations.

**Mr BECKER:** How many corporate clients are waiting to purchase—are there any at all?

**Dr Hemmerling:** We have some people who are interested, but we have had to freeze sales because of the offer we have made to the promoters. We cannot go into setting up new contracts when we have actually told them that we will not do that.

**Mr INGERSON:** I would like to take this opportunity to read into *Hansard* the following letter addressed to Dr Hemmerling:

I understand that you will leave for Portugal tomorrow for negotiations to extend beyond 1996 Adelaide's right to stage a Formula One Grand Prix. I would be pleased if you would take this letter with you to demonstrate that there is bipartisan support for a continuation of the event in Adelaide.

In particular, I ask you to inform those who will be making decisions about future contracts for the event that a Liberal Government in South Australia would give its full support to a long-term extension of the right to stage an annual Formula One Grand Prix in Adelaide. On behalf of all my parliamentary colleagues, I wish you every success in your forthcoming negotiations.

I ask that the letter be passed to Dr Hemmerling. I understand from page 38 of the Auditor-General's Report that there is an exposure to Goodsports Pty Ltd for contingent liabilities of \$1.7 million to cover acquisition of premises and working capital. There is a letter of support to the directors for the period 31 December 1993, although it is not clear what amount is committed in this letter. I also understand that \$1.2 million was paid for Goodsports' Kent Town premises, but that that has been revalued down to \$300 000. It may be useful for the Committee to learn of the board's total exposure to Goodsports Pty Ltd.

**The Hon. M.D. Rann:** I am delighted that the Leader of the Opposition, after months of bucketing the Grand Prix, is prepared to say on record—and you can wink to your mates if you like—

**The CHAIRMAN:** Order!

**The Hon. M.D. Rann:** —that he supports the Grand Prix. I asked the questions this morning: Does he have total confidence in the board of the Grand Prix, in its management and operations of the Grand Prix? When will he come in here and say so? There have been attacks on Mal Hemmerling, attacks on the board and attacks on the event.

*Members interjecting:*

**The Hon. M.D. Rann:** No, it is interesting that at last we have succeeded in flushing him out. You have been on the back foot all morning.

**The CHAIRMAN:** Order!

**The Hon. M.D. Rann:** In 1985, Goodsports sportswear obtained a licence to produce and wholesale official clothing merchandise associated with the Australian Grand Prix. The company had a turnover of \$260 000 per annum and a staff of two. In 1987 negotiations commenced with a view to the board's taking a financial interest in the company. The company needed backing to undertake the exclusive merchandising for the 1988 World Expo in Brisbane, and the board purchased 50 per cent of Goodsports in June 1987. In June 1989 the company purchased a building in Rundle Street, Kent Town, at a cost of \$1.2 million. At the time the company was turning over a profit, and it was felt these



profits should be directed towards investing in and securing a building for the company.

In April 1992 Goodsports were awarded the Dorna international motor cycle contract, which was for the worldwide exclusive apparel rights for the motor cycle Grand Prix series. At this time the board considered it appropriate for Goodsports to prepare a business plan. The Executive Director and Administration Manager conducted an indepth review of Goodsports in mid-1992 and this review concluded that expert advice was required to determine the future development and direction of the company. Arthur Andersons, chartered accountants, were engaged in August 1992 to assist Goodsports in preparing a business plan.

In October 1992 the board reached agreement with its equity partner whereby the board took control of the financial management of Goodsports, continued to support the company to meet its sales and profit targets, and would conduct a review of overheads to ensure all unnecessary costs were eliminated. In December 1992 Goodsports secured the Williams Formula One exclusive merchandising contract, which required further capital to maximise its potential, and the board, following the Economic and Finance Committee report, was not in a position to fund this.

The board's support of Goodsports continued while Arthur Andersons were preparing a position paper for the board's consideration. This paper was presented in March 1993 and detailed three options: the immediate liquidation, the sale as a going concern or a strategic sale. The immediate liquidation option would have resulted in a likely deficiency exceeding \$1.5 million, with the major burden being borne by the trade creditors and other unsecured creditors. It would also have meant the loss of work for over 100 South Australians. This was therefore not considered a reasonable option. It was decided to seek a purchaser for the business on an ongoing concern, with the board maintaining ownership of the building, trademarks and licences. This was seen to be the most viable option and would enable the board to keep the business in South Australia as well as protecting the jobs of 12 people directly and some 120 subcontractors.

During the board's involvement, the turnover of the company has increased from \$1.23 million to well over \$4 million, with staffing increasing from a direct complement of two to 12, and some 20 contractors to over 100. The company currently exports about \$1.5 million worth of clothing a year. Negotiations were completed on 23 August 1993 for the sale of the business of Goodsports. Mr Richard Sinnett, an Adelaide businessman, is now managing the business. The final cost of the Goodsports Pty Ltd sale will not be known until audited financial accounts are prepared and the costs consolidated in the final accounts as of 31 December 1993.

In the 1992 Grand Prix accounts, the board made a specific provision of \$400 000 and a further provision of \$140 000, which gave a total provision of \$540 000. In addition, the board wrote off its \$300 000 investment. This has been spelt out before; it is not new. I should say that in those articles that Debra Read wrote she was offered briefings on a number of occasions with the Under Treasurer—and I will seek Dr Hemmerling's confirmation on this—and also with the Grand Prix Board and staff, to go through the accounts. She chose not to. One can only assume that she did not want the facts to spoil a good negative story.

The benefits of the sale are that the textile clothing business has been retained in South Australia, the jobs of 120 South Australians employed both directly and through

subcontractors have been protected, and the following international licensing contracts and major trademarks have been retained in South Australia and remain the property of the Grand Prix Board: the Williams Formula One, Track 1, Half-Miler, the Australian Motor Cycle Grand Prix, and the Australian Formula One Grand Prix. Very importantly, the board has preserved ongoing cash flows from the purchaser in the form of rent, licence fees and royalties of \$157 000 per annum. The board retains \$1.2 million worth of assets in the form of building, trademarks and licences to cover the loan from the bank.

The company currently turns over about \$4 million per annum and has been restructured in a manner to maximise its growth potential. As I mentioned before, in the last financial year the company exported over \$1.5 million in clothing from South Australia, and this export sale potential is being maximised. I now invite Mr Andrew Daniels to give more detail on this matter.

**Mr Daniels:** As at 31 December 1992 the board made specific provision for the sale of Goodsports. Over the past nine to 10 months, we have been financially managing that business to protect the board's exposure. We have also been negotiating for its sale. The sale was completed on 23 August 1993. The board now is finalising its arrangements in the remnants of Goodsports, which involves collecting outstanding moneys, selling stock, and recovering all the assets it can prior to the consolidation of the remaining Goodsports and its loss into the board's accounts for 31 December 1993.

**Mr HERON:** The Minister mentioned the future of the Australian Formula One Grand Prix beyond 1996. Have negotiations with Bernie Ecclestone started, and how real is the threat to Adelaide's retaining the Grand Prix beyond 1996?

**The Hon. M.D. Rann:** This is a very important question because there is a real and serious threat to the Grand Prix, not only from other States such as Victoria and New South Wales, and probably Queensland, all of which would love to stage a Formula One Grand Prix—certainly they would love to stage one better than they would love to stage an Indy—but also from numerous other countries. There are a number of circuits in Europe and North America that would dearly love the chance to take away our Grand Prix. One only has to look at our near neighbour Indonesia, which is reported to have spent in excess of US\$60 million on its new Formula One circuit in Jakarta. That country is yet to have a scheduled Grand Prix event. Let us hope, and I hope all members would agree with me, that if they do secure their first Grand Prix it is not ours that they secure beyond 1996.

We also know that the Chinese Government has commissioned our own South Australian based engineers, Kinhill's, to help them engineer a new Formula One circuit in China. I do not want Beijing to win the Olympics, and I do not want them to win our Grand Prix. The Barcelona circuit has recently had in excess of \$60 million spent on it to stage a Formula One event. These figures provide an indication of the financial support that other countries are prepared to spend in an attempt to secure or stage a Formula One Grand Prix. What people have to realise is that South Australia has for the past eight years staged one of the most successful international sporting events in the world, and people are lining up wanting to steal it from us. That is why there has to be a stop to the bickering and hypocrisy. It is very important that we demonstrate a united front.

Tomorrow we will be waiting with great interest to see the outcome of Sydney's bid for the Year 2000 Olympics. We

know that South Australia's bid from the Opposition for the World Expo in 2000 was secured by Hannover some years ago. We should get behind the Sydney bid, which would not have got this far without the total support of the Government, the people of Sydney and the New South Wales Opposition. There has been none of the continual white-anting we see in South Australia in respect of the Grand Prix, which I liken to a Commonwealth Games being held in this State every year. It is well-staged with maximum economic benefit to this State. As I say, the Grand Prix, which is the equivalent of having a Commonwealth Games staged here every year, is the envy of everyone, and that cannot be taken for granted. It is an event which is held every year and which has an international audience in excess of 500 million in over 100 countries.

The people who have been trying to white-ant the Grand Prix rush out and get a staffer to type up a quick statement and release it because they are on the back foot and have had a bad morning. You can wink to your mates in the Gallery, but it will not matter because we know who you have lined up to do the job. You can always depend on channel 10 to support you.

*Members interjecting:*

**The CHAIRMAN:** Order!

**The Hon. M.D. Rann:** That is right—the Opposition has flip-flopped again. The interesting thing is that those people in the Opposition and the media who have been white-anting our Grand Prix, if we ever lost it, would scream blue murder. Our job is to make sure that we do not lose it. The board, which I want to pay tribute to, and the officers involved who have continually been attacked by the Opposition, have done a damn good job in not only running the event well but in securing it for the future.

**Mr HAMILTON:** My question may be taken on notice. Are gold passes handed out to the corporate sector and/or other visitors to South Australia and, if so, on what basis or bases? Are gold passes handed out to members of Parliament and, if so, who receives them?

**The Hon. M.D. Rann:** As is the case with the corporate sector, a number of major Australian companies, and we are thankful for their support, have corporate suites and corporate boxes at the Grand Prix, as does the Government. The Economic Development Agency has had its own suite in previous years, and this year it will be merged with the Grand Prix Government suite. Tourism South Australia has a suite as well. An invitation is extended to leading tour operators from Asia and a number of other markets, as well as visiting international journalists, to come to the Grand Prix, and this year we will be inviting some of our tourism ambassadors to mix with those visitors and journalists in order to promote our State.

Our offices in Los Angeles, Singapore and elsewhere are asked to detail in a strategic way those people they would most like to have at the Grand Prix in order to do business. That is what it is all about. It is not just a race and not just an economic generator in terms of spending—it is very much a forum for business leaders and political leaders to meet and do business. It is true that members of both the Government and the Opposition are invited to participate in a bipartisan way in the various suites, and that will be the case this year.

**Mr HAMILTON:** Which MPs have been invited this year and in the past three years?

**The Hon. M.D. Rann:** We can certainly detail that information for the honourable member.

#### **Additional Departmental Advisers:**

Ms A. Hooper, Director, Corporate Services.  
Mr M. Gleeson, Chief Executive Officer.  
Mr D. Biddin, Financial Manager.  
Mr R. Phillips, General Manager, Marketing.  
Ms S. Saville, Manager, Communications.  
Mr C. Kaufmann, Acting Manager, Development.  
Mr B. Pycroft, Acting Director, Regional Administration.

**The Hon. M.D. Rann:** As Committee members would be aware, this year has already seen the establishment of major new directions in the South Australian tourism industry. At the forefront of this change has been the establishment of the South Australian Tourism Commission to replace the former Government Department of Tourism South Australia. The former head of North Queensland's regional tourism body, Michael Gleeson, has been appointed Chief Executive of the commission. Mr Gleeson has extensive experience in marketing policy, planning and sales as well as strong links with the tourism industry, including the Australian Tourism Commission. In addition, we have appointed a nine-member board headed by the managing director of John Martins Retailers, Geoff Coles, who is an outstanding citizen making an outstanding contribution to tourism. I really want to pay tribute to Geoff as his work during the past few months has made him an absolute joy to work with.

Specific changes in South Australia's marketing efforts this year have included the privatisation of the South Australian tourism offices in Auckland and Los Angeles, which will increase the focus on sales and product development in those markets. In June we launched our 'Dream Green' eco-tourism campaign in New York, which was part of a \$350 000 State Government initiative to develop the South Australian eco-tourism industry. The commission estimates that we can increase our share of the eco-tourism market from the United States alone by at least 10 per cent over the next three years, based on research by the Australian Tourism Commission. The Office of Tourism Industry Development is working with the commission and industry in further developing this program for the State.

For the first time this year the Grand Prix Board and the commission have joined forces in marketing the State around the Australian Formula One Grand Prix. The 'Winning Holidays' campaign has been launched interstate and within South Australia to encourage people to stay on after the Grand Prix and experience more of the State. The Government has also established a special events group, which combines expertise and resources across Government, to bid for major events for South Australia. A development which has been given the official go-ahead is the Clare Country Club. This project will be a major boost to the State's tourism industry.

The Office of Tourism Industry Development is continuing its negotiations around other major developments in this State, although delays to date have been mostly due to recessionary factors and lack of capital amongst the developers. However, it appears the tide is turning, and it is expected that at least one other major development will be announced in the near future. The State Government has also put on record that it is prepared to inject \$2.25 million from the State Government's Tourism Infrastructure Fund in a bid to secure the \$18 million Barossa Valley resort, which is proposed by the Kinsmen Development Group subject—and I want to emphasise subject—to the recommendations of the Industries Development Committee.

In terms of visitation, South Australia has recorded the highest level of intrastate travel of any State in Australia, and that is largely based on the success of the SA Shorts campaign. However, the number of international visitors to South Australia has been down, particularly from our traditional market in the United Kingdom. One of the reasons South Australia has not shared in the increase in international visitors to Australia as a whole is the high percentage of first time Asian visitors who have traditionally leant towards the eastern States for first-time travel. Also the lack of direct international flight access has been a disadvantage to South Australia against some of the other States. The recession, which has been worldwide must also be taken into account. The commission has tackled the problem of international visitations head on by implementing the overseas marketing initiatives that I have already outlined.

The South Australian tourism industry has also been disadvantaged through the Australian Tourism Commission's marketing, which has absolutely favoured the eastern States and the icons of the rock, the reef and the Opera House. The Australian Tourism Commission is attempting to change this through its Partnership Australia push, in which it wants to give equal representation to all Australia's regions. The commission is currently looking at the proposal to ensure it is in the State's interests and not solely for the benefit of the Australian Tourism Commission. I believe that South Australia has been ill-served by the Australian Tourism Commission in the past. There is a change afoot, but I will sign an agreement with Partnership Australia only if it is prepared to lift its game in terms of promoting non-eastern State's icons and venues.

We have now appointed nine official South Australian tourism ambassadors to assist in marketing South Australia interstate and overseas. These ambassadors are a select group of prominent South Australians and friends of the State who will be included in promotions of the commission to help market the State as a tourist destination. There has been a great deal of criticism of my appointment of non-resident South Australians to help promote our State interstate. If you are an ambassador, it is hard to imagine that you would stay at home. *Ipsa facto*, being an ambassador for South Australia means that you are abroad, selling South Australia.

We are out there trying to get some top people. I am prepared to appoint non-South Australians, and even non-Australian citizens, who are prepared to go in and fight for our State and to make a contribution free of charge. These people have a track record of support for our State, and I am prepared to embrace them in the tourism ambassador group. I would like to hear today from the Opposition whether it is prepared to support people with non-Australian citizenship as tourism ambassadors. Is that the case? I will find out later.

In terms of the structure of the commission, the board approved, in principle, a plan to restructure the organisation and to make it more internationally and internally competitive. There will be a much stronger focus on sales and on establishing South Australian products with major travel networks, airlines and so on. Stronger links are also to be established with the Northern Territory in terms of joint packaging and marketing. Stronger promotion of South Australia's regions is also central to the new marketing directions, including the development of links between regional tourist authorities and regional development boards. Increased funds have been allocated this year to the Government's main street and historic towns program to assist regions to develop their commercial tourism potential.

Finally, it must be taken into account that the formation of the commission and the new Program Estimates format means that it is difficult to compare last year's expenditure with this year's. As part of the transition to the commission, it was decided that it would be better to measure performance in terms of markets. We have therefore changed the program performance budgeting to 'international', 'interstate' and 'intrastate' to reflect this. Because this expenditure was spread across programs last year, it is not possible to compare accurately expenditure in specific programs.

There has been a massive increase, which will be announced later, in terms of international tourism marketing. I am aware that the member opposite on radio this morning said that there has been no change to the commission. The commission has been up and running since 1 July. The first and most important job is at the top, and we have appointed a new Chief Executive, Michael Gleeson, who I believe will make a real difference to this State. We are delighted to have him on board. There will be a series of other changes that I will detail during this Estimates Committee. I thank the members of the board of the commission and the new Chief Executive who have made an invaluable contribution in a short period, and I also want to pay tribute to the former and current staff of TSA for their support in seeing through this transition period.

**Mr INGERSON:** The past 12 months have been important for tourism, because the Government has recognised the need to change from Tourism SA to a tourism commission, a decision widely supported in the community, particularly by industry, and, as the Minister would be aware, it was strongly supported by the Liberal Opposition in this Parliament. The Minister in his opening remarks referred to nine members of the board. When the Act passed Parliament, there were to be 10. I understand that there is an independent member of the board who has no voting rights. In general discussion later will the Minister advise, in the light of the fact that eco-tourism will be an important part of tourism in the next 10 years, why the appointment of a person with an environmental background has not yet occurred?

One of industry's major concerns in supporting the establishment of the commission was that it should have a positive new direction and not just a new facade. As I said this morning, in the first five months since the passing of the Act the industry has not seen any change, and it feels that it is about time that things started to happen. Having said that, I acknowledge the appointment of Michael Gleeson as the new CEO. The Opposition welcomes him and wishes him well in his new position.

The Minister has pointed out that it is difficult to make comparisons in the budget, but some matters are easily comparable because they appear under the same lines. I note with interest under 'Salaries, administration and accommodation' an almost \$1 million increase compared with the previous year. In particular, there has been an increase from \$1.76 million in 1992-93 to \$2.94 million in this budget in the administration costs of the commission. If a broad comparison is made in those three areas—and it must be a broad comparison because all the figures do not match up—it will be noted that in 1992-93 salaries, administration and accommodation costs comprised just over 55 per cent of the budget, yet for this year the figure comprises almost 70 per cent of the budget. In his statement, the Minister said that when the commission was set up one of its major goals would be to turn around the percentage of administration versus marketing costs; yet, at first glance, according to these estimates, the

reverse will apply. That matter is of considerable concern to the industry, in particular.

Over the past 10 years, \$77 million has been spent on marketing Tourism SA to South Australia and to the world. That figure was supplied to me by the previous CEO of Tourism SA. I am concerned that, having spent \$77 million on tourism marketing, we have seen a significant reduction in the number of international visitor nights. We have held our line in terms of interstate and intrastate visitor nights, but if the situation is looked at objectively we have not achieved much with the \$77 million of taxpayers' money that has been spent on the marketing of tourism in South Australia. We look forward, as we said during the debate on this Bill, to a positive change in marketing, but that is not obvious from these estimates.

I also note that the Minister said that there would be a significant boost in international marketing. I find it quite staggering when we have before us this budget line, which is supposedly the budget of the Government, that the Minister should say today that there will be more expenditure over and above this budget. I recognise that this is an election year, but that suggests that there might be some other hollow logs in other areas of other departments from which the money is being switched. I suspect that that money will come from the economic development area, but we will question the Minister further on that matter during the Committee.

The other issue about which I wish to speak briefly is the need for this State to recognise that as well as the Grand Prix we have the Festival of Arts and other important festivals that need to be considered when we are marketing tourism in South Australia. That has not occurred as well as it has in the past.

In his opening statement, the Minister mentioned the Australian Tourism Commission. I have had several discussions with the commission and, whilst the general feeling is that the commission had left this out, there is also a strong comment from the commission that as a State we did not push our barrow anywhere nearly as hard as we should have. We need to recognise that, if we are to be part of the South Australian Tourism Commission promotion, we have to stand up and be counted and not purely and simply hope that by hanging onto coat-tails that things will happen. What is the current position in relation to a marketing plan for tourism in South Australia? What consultation has occurred with the industry? How will that marketing plan work in the three strategic areas of intrastate, interstate and international marketing?

**The Hon. M.D. Rann:** I am happy to table today the draft of the South Australian Tourism Commission Business Plan and also the draft of 'New Directions: a Corporate Plan for the South Australian Tourism Commission'. The honourable member would be well aware that, in the process of leading up to the decision to include in legislation the provision to create a commission, earlier this year I had extensive consultations with the tourism industry. The clear message from the majority of positive and constructive people was that they wanted to have a partnership, that they wanted to play a role in terms of driving the tourism thrust of this State. So, we introduced into Parliament legislation which enshrined the views of, I would say, 99 per cent of the people with whom I met. Indeed, the former Tourism Minister had a tourism advisory group, and we expanded that considerably, as well as the consultations that we had with regional tourist associations, and so on. I want to pay tribute to the South Australian tourism and convention industry for its positive

ideas. I believe that the commission is under very good guidance with Geoff Coles—and I am sure that the Opposition would agree with that. Is that the case?

**The CHAIRMAN:** Order! It is not for the Minister to be provoking the Opposition in breaching Standing Orders.

**The Hon. M.D. Rann:** I was responding to the informal nature of the debate and some of the faces being pulled by members opposite. We subsequently developed with the industry a series of ideas. I want to respond, first, to what the shadow Minister said about why we have not filled the 10 positions.

*An honourable member interjecting:*

**The Hon. M.D. Rann:** Well, if he had read the Act that he voted for, he would know it was between seven and 10 positions. He should also have read closely that the Act says nothing about the environment: it talks about land management. Who was on the commission until most recently? Bob Nicholls, the former head of National Parks in this State. This is about the environment and about land management. Also, we have one of South Australia's most prominent wine makers from the Clare Valley. It would be useful for the shadow Minister to give me a call sometime, and I will explain the Act for which he voted. We have a South Australian Tourism Commission business plan, and I invite the Chief Executive, Mike Gleeson, to comment further.

**Mr Gleeson:** Both plans are now in draft form and both have been presented to the board of the Tourism Commission. The latter of those is the new corporate structure of the Tourism Commission, which was voted for and accepted in principle by the board at the last board meeting. That draft is now going through the process of consultation with staff, union officials and regions, and it is to be presented back in a costed fashion to the board meeting of 20 October, at which time I would trust that the board would accept that recommendation and allow for immediate implementation of it.

**Mr INGERSON:** I know the Minister probably does not understand this, but there is a difference between a business plan and a marketing plan, and I will spell it out if need be. When will the marketing plan for the commission be made available to industry? Has there been any consultation with industry? What relationship does the interstate, intrastate and international marketing have to that plan?

**The Hon. M.D. Rann:** The business plan incorporates the marketing plan and is being sent to the regions for their comment and consultation. However, it flows on from the enormous level of consultation that has gone on with industry through the commission in the lead up to formation of the Tourism Commission and beyond.

**Mr INGERSON:** My next question relates to the announcement yesterday by the Minister, reported in today's press, involving the Kinsmen project. What budget does the \$2.265 million come from? Does it relate to any particular tourism line?

**The Hon. M.D. Rann:** I would have thought it was fairly clear, and this is why I could not understand the comments that the honourable member made in his opening statement. We announced publicly in the Meeting the Challenge document, in the budget and on at least two or three dozen occasions when the honourable member has been present that we would set aside \$5 million per year in the EDA's account for tourism infrastructure developments. Of course, \$2.2 million is on offer; we have also announced money for the Tanunda-based wine centre in the Barossa Valley; \$500 000 to purchase the Die Gallerie site; \$300 000 for the Arid Zone Botanic Park development near Port Augusta; and infrastruc-

ture funds for a range of other projects, including support for the Clare Country Club. So, the fact is that money is available from the tourism infrastructure fund that is located within the EDA.

The honourable member should be not be surprised about money being diverted, because the money has been designated for tourism infrastructure. Tourism infrastructure and development matters are not dealt with by the commission, as the honourable member is well aware. In fact, I can inform him that an extra \$2 million has been made available by the EDA this year on top of the Tourism Commission's budget but provided to the Tourism Commission for overseas marketing—specifically for overseas marketing in Europe, New Zealand and the United States. So that \$2 million is quite appropriate, because the Arthur D. Little report spelt out the vital importance of tourism to our future. Obviously, tourism means overseas niche marketing and infrastructure development, and that is why those funds have been made available.

**Mr INGERSON:** The Minister is fully aware that this Committee is set up to collect information and that there is no line this year, in either economic development or in the tourism budget, that specifically relates to tourism infrastructure. However, in previous years there was a \$5 million line, but in this budget there is no specific line, and that is the reason for my asking the question. Will the future staffing of the commission be done via a Public Service agreement or will it be done by a contractual agreement using the projected enterprise agreements arrangement heralded by the Government?

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

**The CHAIRMAN:** A question was addressed to the Minister by the member for Bragg before we adjourned for luncheon.

**The Hon. M.D. Rann:** It is basically based on the EDB-EDA arrangements where decisions were made in terms of the allocation of officers: some went to the Tourism Industry Development Branch of the Office of Business and Regional Development (OBARD); others were asked to come on board for three years and then to make the decision about whether they returned to the Public Service or would continue and enter into contracts with the commission. I invite Michael Gleeson to respond.

**Mr Gleeson:** A draft proposal has been put to the board concerning staffing situations within the commission. It certainly has not been finalised at this stage, because there are a number of matters which we are unclear on at the moment. The question whether new staff members—whether promoted staff members or members taking on new roles—become commission members or stay members of the Public Service is as yet unclear. I would hope to put to the board meeting of 20 October a final proposal for board consideration on those matters.

**Mr HAMILTON:** My question is in relation to marketing, and I refer to page 459 of the Program Estimates. What is the South Australian Tourism Commission planning for its marketing push in the USA following the Minister's launch of the Dream Green campaign in New York and Los Angeles in late June/early July; and can the Minister advise whether any thought has been given to appointing a tourism ambassador to help promote South Australia in the United States?

**The Hon. M.D. Rann:** It seems to me that the United States has a great deal to offer South Australia in terms of

recent market research done by the ATC because of the eco-tourism sector of the industry—those people, generally wealthy, who seek wilderness experiences around the world, whether in Africa, Nepal, Alaska or wherever. We launched a campaign called Dream Green in New York and Los Angeles in late June/early July. My launch there of what we called our Dream Green platform involved the support of two co-hosts: Jim Fowler, who, members will recall, is the US version of David Attenborough, who was the star of *Wild Kingdom* back in the 1960s and 1970s and who is now on the *Today* show on US television; and Margaux Hemingway, who is the international actress, movie star and well known environmentalist.

That was very successful in generating interest. It was interesting that the groups of people who attended—and we had the best people in the industry at both launches—were saying that they were just not aware of the wilderness that was available in South Australia or Australia generally. They knew about the desert and the outback but were not aware of the different eco-systems, such as the Coorong, the River Murray and so on.

So I am pleased to be able to advise all members today, in making a special announcement this afternoon, that the Government is about to launch a high profile campaign to lure more US tourists to South Australia. More than \$1 million has been allocated to the South Australian Tourism Commission for a US marketing push over the next 12 months which will include an intensive promotional and media campaign targeted at key US niche markets, such as eco-tourism.

It gives me great pleasure to be able to inform the House that Mr Rupert Murdoch, the Chief of News Limited based in Los Angeles—of course the head of News Limited being in New York—has agreed to become South Australia's honorary US-based tourism ambassador. Mr Murdoch's high profile in US television, newspapers, magazines and motion pictures will be invaluable in promoting our State. I hope that Mr Murdoch's appointment as a tourism ambassador will be greeted with support from both sides of the House. I was delighted to receive his letter saying that he was honoured to accept the position.

Our tourism ambassadors have been an exciting feature of tourism this year, with people like Sir James Hardy, Michelle Fielke (who is the Australian netball captain and champion), Robyn Archer and David Lange in New Zealand selling the message, attending functions and being invited to functions. We hope to have a significant number of tourism ambassadors attend this year's Grand Prix and next year's Festival of Arts to help promote our State. I certainly believe that Mr Murdoch's acceptance will be extraordinarily useful to us in the United States, and we are delighted to have him on board.

In addition, the South Australian Tourism Commission will soon release a new wholesale travel program in the United States and has changed its representation arrangements within the US to be much more focused on sales. This includes the recent privatisation of its Los Angeles office. Members would be aware that we have privatised the Perth office, the New Zealand office in Auckland and the US office in Los Angeles. We have changed our representation arrangements in the US to be much more focused on sales. The 12-month campaign is a follow-up to that successful launch of South Australia's eco-tourism Dream Green platform. The campaign will also include an investment in wholesale product development so that South Australian

travel packages are available in major travel networks throughout the US.

Market research by the Australian Tourism Commission has shown that more than half the potential long haul market from the US has a keen interest in cultural tourism, nature travel and the outback. The ATC research found that 1.7 million Americans are potential long haul travellers to Australia. That is the result of the Australian Tourism Commission's research. The South Australian Tourism Commission estimates that the share of this market to South Australia is potentially as high as 60 per cent. We believe South Australia is well positioned to make major inroads into the US market and that it offers an authentic Australian experience combined with a cosmopolitan lifestyle, just as we have the potential to become one of the nation's leading eco-tourism destinations, an industry which is currently the fastest growing travel segment in the US. I can also announce today that Margaux Hemingway will be attending this year's Grand Prix and will also be involved in other tourism promotions while she is in South Australia.

**Mr HAMILTON:** I refer to page 451 of the Program Estimates. Has any thought been given to privatising our other interstate offices in Melbourne and Sydney along the same lines as the Perth and New Zealand offices?

**The Hon. M.D. Rann:** The Tourism Commission is considering the privatisation of our Melbourne and Sydney offices. I want to point out right from the start that our offices interstate have committed, enthusiastic and talented individuals who are doing a good job representing our State. However, we are paying very high rents in prime locations interstate when I believe this money could be used for putting product in the marketplace, whether through direct mail or in other ways.

It seems to me that the commission, with Geoff Coles at the helm and Michael Gleeson as the new Chief Executive Officer, shares my view that we need to look at sharpening our sales focus and increasing the contribution from the private sector—this has to be a real partnership. In addition, the role of retail travel agency operations is better suited to private enterprise. I know there is a view that Government agencies should not be seen to be in competition with private enterprise in such a competitive area. Again, I want to emphasise that there has to be a partnership. That is what is happening in Los Angeles, Auckland, Perth and, we hope, in the commission. We want to enshrine the concept of partnership.

I have asked the commission to look at the cost benefits of privatising the Sydney and Melbourne offices. I have also asked it to look at the benefits or the pitfalls of this and to make a recommendation for me to take to Cabinet. If that is done, of course, apart from a proper cost benefit analysis, we will need also to call for expressions of interest. If that happens it will be in the near future.

**Mr HAMILTON:** Is the Minister indicating that the Government intends to go down a similar path in relation to the Adelaide Travel Centre?

**The Hon. M.D. Rann:** We have absolutely no plans to privatise the Adelaide Travel Centre.

**Mr HAMILTON:** Perhaps the Minister can elaborate on the key achievements of the Adelaide Travel Centre and its worth to South Australia.

**The Hon. M.D. Rann:** During the financial year 1992-93, accommodation sales in particular increased nearly 40 per cent on the corresponding figure in 1991-92. Overall, commission revenues accruing to the South Australian

Tourism Commission realised \$327 000, nearly 10 per cent up on 1991-92, during a very difficult period. The ground floor shop front of the Travel Centre was completely fitted out by late September 1992, incorporating a spacious browsing area, a nine-screen TV wall, viewing area, express desks and a modern TV queuing system. With that nine-screen TV wall, perhaps we could use the recent Susan Mitchell interviews with the honourable member and me as a highlight; it might attract more visitors to the State. On second thoughts perhaps not.

A grand opening sale was launched in cooperation with tourist operators between 19 October and 1 November 1992, offering a diverse range of products from houseboats to coach tours and Kangaroo Island holidays with some substantial savings for consumers. The initiative produced 55 bookings representing 136 passengers for gross sales of \$20 000. Some cooperative advertising ventures were entered into with the private sector. Mount Gambier 'Getaways' were advertised in conjunction with O'Connor Airlines, Aquifer Tours and Red Carpet Inn, but we do not have the results of that promotion at this stage. Further cooperative and advertising promotions were entered into with Sealink and Air Kangaroo Island during January 1993 promoting the Kangaroo Island Cup carnival.

The last financial year also saw a change in the type of window displays the Travel Centre featured, going from static displays to product-based displays with price leader offers. The types of display included South Australian 'Shorts', with the promotion of holiday vouchers to a special bed and breakfast window featuring a range of specified products at heavily discounted prices. A 'Shorts' initiative involving the marketing of gift vouchers was promoted in conjunction with Christmas 1992; Valentine's Day, February 1993; and Mothers' Day, May 1993. Aggregate gross sales from this initiative realised over \$35 000.

These initiatives reflect a change in operating philosophy from a predominantly information-provision service to a sales-driven focus in which a competitively priced product available for exclusive sale through the SA Travel Centre is fast becoming a norm. A recent example has been the 'Shorts Sell-out Sale', which ended at the end of August and in connection with which a number of participants in the 1992-93 'Shorts' program slashed prices in the period leading up to that date. Some 220 packages were sold at an average price of \$185 per package for gross sales of \$40 700. Overall, 1992-93 was a year of great change for the Travel Centre and it saw many progressive achievements that are continuing into this new financial year.

**Mr INGERSON:** Earlier today the Minister mentioned that there would be an exciting and significant increase in the marketing budget. What is that exciting and significant increase and how does this fit in with the budget estimates, which I understand are programmed to certain expenditure?

**The Hon. M.D. Rann:** I have just announced one portion of that, with \$750 000 (of that more than \$1 million), which is outside the tourism lines, coming from the EDA as a positive contribution to international tourism. Of course, it was part of the charter of the EDA to look at the Arthur D. Little recommendations. There is also \$250 000 to upgrade our New Zealand marketing operations and \$1 million for UK/Europe. That is a \$2 million add-on to the marketing budget, and it is something for which I understand the honourable member has been calling.

**Mr INGERSON:** It is nice to get a positive answer. I understand that in setting up the New Zealand office, and I

assume this involves also privatisation of the Singapore and USA offices, there is some allocation from the State budget in terms of meeting initial expenditure. Can the Minister advise the Committee what those figures are as they relate to USA, Singapore and New Zealand?

**The Hon. M.D. Rann:** I will invite Roger Phillips, who is the Director of Marketing in the Tourism Commission, to respond.

**Mr Phillips:** The Tourism Commission will provide \$175 000 to the New Zealand operation over 12 months. That is \$25 000 less than our contribution to the office in the previous couple of years. The contribution to the USA operation is \$450 000, which is roughly the same contribution as we have made to that office in the past two years. There are no plans at this stage to privatise the Singapore operation.

**Mr INGERSON:** To which particular section of the budget has that been allocated?

**Mr Phillips:** Those amounts have come out of the normal international marketing lines for those offices.

**Mr INGERSON:** There is reference in the budget to significant sums of money being paid in relation to accommodation in the Remm building and also in the AMP building. Can the Minister advise the Committee on the amount paid per year and the length of lease involved at both locations?

**The Hon. M.D. Rann:** I will ask Anne Hooper to answer part of that question and the rest we will take on notice and get back to the honourable member.

**Ms Hooper:** The cost of accommodation in the Myer Remm building for 1993-94 will be \$534 425, and that includes cleaning and outgoings. The other information I will provide for the honourable member on notice.

**Mr INGERSON:** I understand that there has been a recent purchase by the regions division of a four-wheel drive vehicle. Historically there has been a standard Magna sedan, or something similar, provided. What is the need for such a purchase?

**The Hon. M.D. Rann:** I will invite Bill Pycroft to answer that question.

**Mr Pycroft:** With the outback and the Flinders to look after and State Fleet having only eight four-wheel drive vehicles on its list, it takes up to three to four months to book in advance. If we were to go through a private company, such as Budget, it would cost up to \$800 or \$900 to make a trip to Coober Pedy, Oodnadatta and back. On a savings basis, it was better for us to have a more reliable vehicle to be able to get off the bitumen roads into those areas. Considering the marketing officer is a female—no offence—we require something which is far more reliable. We would need only four or five trips and we would recoup the cost.

**Mr HERON:** Page 451 of the Program Estimates refers, under broad goals, to the need 'to position South Australia in its main markets'. I am aware that there is a cultural tourism committee: what level of funding does it receive, and is it effective in positioning South Australia as a centre for cultural tourism?

**The Hon. M.D. Rann:** I think it is probably well known that, of the areas that I have been personally pushing since I became Minister of Tourism, one is eco-tourism and another is cultural tourism. The reason for that is that I believe in looking at what the market research says. I went to the ATC in Sydney and was briefed about its market research. There has been a significant change in what people in a number of key markets overseas want in terms of an Australian experience. Rather than some kind of fabricated, and I use that word

advisedly, fake Surfers Paradise—and they can go to Miami for that—

**The Hon. J.P. TRAINER:** Only at the risk of their lives.

**The Hon. M.D. Rann:** That is right, only at the risk of their lives. People in America and north Asia as well, and this is a significant change, are saying they want to have an authentic Australian experience. They want to experience our wilderness, environment, flora and fauna (which is very popular with people living in countries such as Japan) and our culture. Aboriginal arts comes up a great deal. They also want to experience our history and heritage. So, the cultural tourism committee is very much a catalyst for the development of viable cultural tourism product in South Australia. This includes bringing into the cultural tourism fold tourism, arts and heritage industries and Government generally.

During the 1992-93 financial year, the committee undertook a number of successful projects. For example, it provided local community groups with grants for the production of a series of integrated town walk brochures. These brochures all follow a similar format, providing a suggested walking route, with accompanying information relating to items and places of interest. To date, brochures have been produced for the towns of Angaston, Auburn, Bethany, Jamestown, Mannum, Penola, Port Elliot, Strathalbyn and Wallaroo. Brochures are currently in production—and this would be of great interest to the former Leader of the Opposition—for Kadina, Kapunda, Oakbank, Onkaparinga—even of more interest—and Terowie.

The committee began its 'Dollars and sense' seminar series in the 1992-93 financial year. So, members can see that we are not just giving grants for brochures to marginal seats. The first seminar was held at Old Parliament House on 27 April 1993. The seminar series is aimed at small operators such as bed and breakfast hosts, attraction operators, museum and gallery bodies, and tour guides, whose product can be enhanced by offering some form of value added experience for the visitor. The seminars are designed to take operators through the aspects of their business, to practical applications that they can use to maximise their viability. The series will consist of six half-day seminars over 1993-94, and the first two seminars in this series have already occurred. They were very well attended and generated significant interest.

The seminar topics for 1993 include: how to develop a viable cultural tourism product; how to package the tourism product; and are tourism and heritage preservation compatible? The 1994 program is not finalised but is expected to cover the following topics: making sense of research; talking sense; sensible guided tours, and so on. The committee initiated projects designed to investigate the opportunities for Aboriginal tourism in South Australia, and initial work has provided a basis for expanding this project with the appointment of a dedicated project manager and additional funding being sought. For 1993-94 the committee has determined that it will become more product oriented. The committee is determined that there is a need to package together the State's cultural product and prepare a data base for wholesalers. It has decided that that is something the committee can address.

In the area of cultural tourism as well, members would be aware of what we have been doing in the area of the Mary McKillop phenomenon at Penola in support of that town, and in a range of other ways around the State. We are able, as a portfolio, to provide major sponsorship and underwriting for WOMAD and also for the recent Fiesta festival.

**Mr HERON:** Under 'Specific targets and objectives' on page 454 of the Program Estimates, it mentions the historic

towns program. What action has been taken under the program, and what are the functions of the program and the budget for this financial year?

**The Hon. M.D. Rann:** That follows on very directly from what I referred to before in terms of places such as Penola. There is absolutely no doubt that South Australia does a number of things better, and one of those is the promotion of heritage. We have some marvellous and diverse examples of small townships and communities around the State, as well as larger ones, which celebrate the preservation of heritage. A total of \$100 000 has been put aside for this year's budget for the program. Following the launch of the program, Burra and Penola have already agreed to take part in it, and discussions are being held with two other councils.

The program has arisen out of a trend towards that greater appreciation of our social and cultural history which has coincided with a growing interest in historic themes. Visits to historic towns, precincts, monuments, and so on, are now a significant characteristic of Australian tourism. There is every indication that this trend will continue. Therefore, the continuing conservation of historic buildings, sites and streetscapes as well as social and environmental influences are becoming an important element in the overall urban and regional planning process.

The historic towns program was established to provide a formal framework for the future development of these towns. The objectives of the program are to develop a significant visitor attraction which is unique within the area and adds to the differentiation of the product by conserving the historic and heritage assets, implementing a strategy of heritage conservation and tourism, enhancing the heritage presentation of selected towns with a high historic and heritage quality, and also assisting in stimulating business development leading to employment and wealth generation through tourism. The Office of Tourism Industry Development will administer the program and allocate funds which can be used in the employment of a historic town coordinator, as well as research, planning, conservation, interpretation and purchase.

**Mr HERON:** Mainstreet is a community-based program which aims to regenerate commercial centres. Which towns have benefited from the Mainstreet program so far?

**The Hon. M.D. Rann:** This is a program that I have unashamedly stolen from interstate. I had a look at how it worked in New Zealand under a Labor Government and in New South Wales under Labor and Liberal Governments, and I think it is an excellent idea, so we called in some people from New South Wales and sought some advice from Western Australia about how we could design a Mainstreet project in this State.

There is no doubt that, in order to try to get people to stop and stay and spend rather than drive through, towns have to be innovative in terms of how they attract people, so main streets are important to the central business district. We have to revitalise and get behind the community revitalisation of main streets in both city and country areas. Since the Main Street program was launched in May, 53 country and city communities across the State have asked to join the scheme. They include towns such as Ceduna on the West Coast, Port Augusta in the north, Berri in the Riverland, Peterborough, Jamestown and Clare in the Mid North and Bordertown and Penola in the South-East. In Adelaide the requests have come from communities in Unley, Port Adelaide, Glenelg, Semaphore and the Adelaide CBD and, importantly, Salisbury, Willunga and Norwood. Indeed last weekend I was able to join Mayor Plumridge—

*Members interjecting:*

**The Hon. M.D. Rann:** They did it on their own. They heard about the New South Wales experience at the same time I did and employed a coordinator. In fact, John Street has just been developed at a cost of \$2 million. I am proud that that is in my electorate, and I am proud to see Salisbury leading the way. These communities have recognised the benefits of community-based revitalisation programs as a major tool in their economic survival. The Main Street program initially received \$250 000, which I understand—and I am not sure about this, so do not hold me to it—is the largest amount of money spent anywhere on the Main Street program in Australia or New Zealand, on a *per capita* basis.

The demand and enthusiasm from the communities has exceeded all expectations. Communities are seeing the value in this program and are willing to commit community resources to ensure local projects succeed. In support of these communities I went back to the 'money crunchers' in my department and spoke to Bill Cossey, which resulted in an additional \$105 000 being provided for the program.

The Main Street manager is currently assisting communities in 28 areas with the initiation and running of projects. Once the projects are at the stage of employing a coordinator, consideration will be given to providing a seed grant to ensure that an appropriate person can be employed. The projects fall into several groups, and this will be of interest to all members as it covers most areas. The first category includes the active Main Street projects already funded by the program. These projects have employed a coordinator. Lobethal has advertised for its coordinator. The projects have a strong active Main Street committee, have developed a community-endorsed action plan and are undertaking Main Street activities. This category includes Lobethal; Henley Beach Road, Thebarton; the Parade at Norwood; John Street in Salisbury; and Willunga.

The second category involves communities enthusiastically developing a Main Street project with the assistance of the program, and they are expected to be at the stage where they will be offered a grant to assist in the employment of a coordinator in the 1993-94 financial year. That category includes Burra, which is a combined Main Street and historic town project; Clare; Commercial Road and Saint Vincent Street in Port Adelaide; Jetty Road, Glenelg; Hutt Street, Adelaide; Jamestown; King William Road, Hyde Park; Mannum; Penola, which is another combined Main Street historic town project and which is a major initiative; Peterborough; Semaphore Road, Semaphore; and Whyalla.

The third category involves communities that are developing a Main Street project using community resources and will be looking to employ a coordinator in the 1994-95 financial year. Those communities are Aldinga; Balaklava; Berri; Bordertown; Edithburgh; Lyndoch; Mannum; Moonta; Port Pirie; Riverton; and Unley Road, Unley.

Other areas will be included in the program as resources are available and as their projects develop the necessary community support and commitment. A special spring school to provide coordinators of Main Street committees with training in the program has been organised for 23 and 24 November, and I hope members can come along to that. Instructors will include Libby Ozinga and Lee Anderson, who are the initiators of the Main Street program in Australia. Libby is based in New South Wales. The school will also be attended by several South Australian architects, heritage advisers, business advisers and local government people. I am



very proud of the Main Street program. It is an outstanding project and I commend it to all members of Parliament.

**Mr INGERSON:** We have had a bit of gloss on some of these marketing figures and performance indicators. Can the Minister explain the performance indicators on page 452 as they relate to the number of travel centre inquiries? When I first went into business some 20 years ago I was advised to make sure the customer traffic was continuous and, if anything, was going up. I note that, in Adelaide, Melbourne, Sydney and Perth, all of the inquiry numbers are going down. Can the Minister explain what is being done to attempt to turn that around, because I would have thought that was a very important indicator in terms of where those centres are going?

**The Hon. M.D. Rann:** Since the Perth office was privatised there has been a continued substantial increase in sales. There has been an enormous response from the privatisation of the New Zealand office, but I invite Roger Phillips to comment on it further.

**Mr Phillips:** The figures are not necessarily comparable because of a change in the way we have measured inquiries over the years. In the past we have measured inquiries with a door counter, which recorded those people walking into the travel centre and asking a question, collecting a brochure or making a booking. In the various travel centres over the past couple of years we have trialled different methods of determining exactly how many people were coming in with an inquiry rather than just collecting brochures. In high pedestrian areas like Melbourne and Sydney a large number of school children used to come in and collect brochures.

**The Hon. J.P. TRAINER:** In Melbourne they might be coming in out of the rain.

**Mr Phillips:** In Melbourne they might be coming out of the adult book store next door, as well. So, there has been a difference in measurement. We have also attempted to encourage our customers to book direct with the operator and not necessarily through our travel centres, and that is reflected in the downturn in some of those figures.

**The Hon. M.D. Rann:** It is certainly true that some people who do come in to the Melbourne office are in a state of high excitement, but that is because of the wonderful attractions in South Australia and not so much because of the adult book shop next door.

**Mr INGERSON:** Page 448 of the Program Estimates sets out the new programs of interstate, intrastate and international marketing, and it also contains some fairly large figures that are put down for the proposed program. When you compare that to the actual expenditure in the budget papers, to say they are miles out is just a minor exaggeration. Can the Minister explain why there is a total program of \$12.89 million in the intrastate marketing budget, yet in the recurrent payments it is listed as only \$7.463 million?

**Ms Hooper:** If we take the intrastate marketing program, the figure of \$12.899 million includes travel bookings that are processed through the Adelaide Travel Centre. If one looks at the advertising and promotion line, \$80 000 of that \$1.706 million is from anticipated payments from customers. If one looks at information and sales, \$5.356 million is made up of anticipated booking payments; and if one looks in the marketing support line, \$380 000 is provided for notional depreciation. So, the actual amount of that program, which is recurrent expenditure for intrastate marketing, is \$7.083 million.

**Mr INGERSON:** By way of comment, that highlights the difficulty that members have in understanding the accounting system. Perhaps one day a government might decided to

produce accounts before the Estimates Committee that everyone will have an average chance of understanding. I think that comment was made five years ago in this place but nothing appears to have changed. Perhaps the next Government will recognise that, if everything is properly explained, it makes it a lot easier for everyone to understand and there is no need to ask what appear to be ridiculous questions.

**The Hon. M.D. Rann:** I will endeavour to do that next year.

**Mr INGERSON:** My next question relates to the Barossa Valley and the purchase of a site for the future interpretive centre. I understand that a total of about \$500 000 has been allocated for that project. A couple of weeks ago I was lucky enough to be shown around the site. It is an excellent site, and in the long term it will be an excellent project. How does the Minister envisage the Government being able to put that project into a presentable form when it is estimated that a further \$250 000 at least will need to be spent on the site and, as I understand, no more local funds are available?

**The Hon. M.D. Rann:** I will provide a bit of history on this, because this is one example of where bipartisan support can be given. Rod Hand, one of our best officers in this area, came to see me some months ago and said, 'We have the chance to buy the Die Gallerie site.' I have known of that restaurant from the late 1970s when it was run by David Hardies. It is an extraordinarily good site with a great deal of history. It is perfectly positioned to be a centre for the Barossa and an interpretation centre for the wine industry. Of course, the wine industry is a key icon of South Australia; hence the \$2.25 million that we announced yesterday that is on offer subject to the parliamentary IDC process, which is very important.

It is important that we get behind the Barossa. When I told the Barossa Valley Tourist Association that we were prepared to back its bid for a tourist information office and wine interpretation centre and announced a contribution of \$500 000 for that process, there was an extraordinarily enthusiastic response. We did not say at the time that the Government would pay for everything—and it will not. Planning for and funding of the development and operation of the centre are under way. The ultimate cost of the centre has not been determined, but it could be between \$1 million and \$1.5 million for this very ambitious but very sound project. It is anticipated that there will, and I believe must, be a mix of Federal, State and industry funds for the development of this centre, which will enhance the attraction of visitors to this important region of South Australia.

In the past few days I made an offer to the Chairman of the Barossa Valley Tourist Association to allow some of the remaining funds to be used to prepare design plans, which would be necessary for leveraging Federal Government moneys. In the light of the recent Federal Government budget decision on wine tax, I have absolutely no intention of letting the Federal Government off the hook. I want this to be a national world class centre for the interpretation of wine and for the Barossa. I am prepared at some future date to look at further funding support if necessary, but the Government will not pay the whole lot and neither should it; it must be a partnership. I would like an indication from some of the very large wine companies in the area that have already made contributions as to whether they are prepared to increase their contribution. If so, the Government will look at this matter.

**The Hon. J.P. TRAINER:** There have been some advertisements recently encouraging South Australians to invite a visitor from the United Kingdom. In view of what has

transpired in the past few days, we could use the recent Keating-inspired publicity to encourage a few visitors from Ireland. What success has there been with the program of encouraging English visitors to visit South Australia?

**The Hon. M.D. Rann:** I think it is fair to say that we do particularly well in terms of the number of European destinations and, in particular, the UK. Recently we published some advertisements which encouraged South Australians to invite a visitor from the UK, as the honourable member said. This promotion was a classic example of the new sales oriented approach to marketing in the UK. The commission recognised that Adelaide had a larger than normal proportion of UK born residents, like me and many of my electors, and a deal was constructed with a UK based travel company for London-Adelaide air fares from a low £549, and special packages were constructed.

This was advertised in Adelaide with the call to invite a friend or relative for a holiday. A special postcard was produced to make it easier for Adelaide residents to make this invitation. It was more like an aerogram with a series of pictures of the State. At the same time, a direct marketing campaign was conducted in the UK in support of the air fare initiative. There were 4 800 coupons and telephone calls received at the Adelaide Travel Centre and over 200 calls at our London office; more than 12 000 brochures were sent to respondents in the UK; and, to date, there has been over \$100 000 in confirmed sales. I regard that as a very successful project.

**The Hon. J.P. TRAINER:** I understand that recently there was a delegation of South Australian tourism industry representatives to South-East Asia; in particular, Singapore. What success has that delegation had, and have we had similar success with the Japanese market?

**The Hon. M.D. Rann:** Obviously, Singapore and Japan are key targets. There was a rumour going around that I was seen luxuriating in Singapore a couple of weeks ago.

*Members interjecting:*

**The Hon. M.D. Rann:** Sorry, hoping that I was seen. That was not the case. I was once mistaken for Johnny Young; I do not know who it was in Singapore who was my look-alike at the time.

*An honourable member interjecting:*

**The Hon. M.D. Rann:** It was not in the Philippines, either. A delegation of tourism representatives recently visited Singapore on a sales and marketing promotion. This is another example of the strength of the cooperative relationship in this State between the Adelaide Convention Centre, the Adelaide Convention and Tourism Authority and the South Australian Tourism Commission. The promotion attracted not only 300 top corporate management and executive planners from local and expatriate communities in Singapore but also involved South Australian food, wine and gemstone exporters in a combined tourism promotion and commodity export drive.

This represents the start of a much more aggressive sales focused approach to the Asian market and a refinement of our markets to the more mature travel markets of Hong Kong, Singapore and Malaysia. These markets are more likely to produce results than the Japanese market, which is currently producing very high in-bound figures in the eastern States, particularly through the Cairns gateway. Japanese visitation will grow slowly. It will most likely be from a different market segment than the honeymoon or 'young office lady' segments for eastern Australia. We are targeting the repeat traveller or older Japanese tourist.

**The Hon. J.P. TRAINER:** I understand that about \$500 000 is being provided in consultation with local government to develop appropriate infrastructure; on what basis are those funds being provided?

**The Hon. M.D. Rann:** This does not involve the \$5 million infrastructure funds: this is a separate component within the tourism portfolio area. It is not the \$5 million that is located in the EDA. Consideration is given to projects on the basis of a clearly identified policy which sets out clear eligibility criteria. In particular, priority is given to projects that contribute to the value of tourism by encouraging increased visitation or greater expenditure by visitors; establish the basic infrastructure and visitor facilities which will act as a catalyst in encouraging further development by private enterprise; ensure that the expectations of visitors regarding the quality of experience and comfort are satisfied; and manage the environmental impact of tourism to ensure the protection of the natural environment of a tourist area.

The following projects were undertaken in the 1992-93 financial year (and the total allocation was \$622 596): the Flinders Ranges area development, \$169 000-plus (that involves the Copley information/rest area, the Wilson town site, Wilpena pound lookouts and the Brachina Gorge geology interpretation); the Kangaroo Island Penneshaw penguin attraction, \$35 000; the Goolwa Signal Point interpretive centre, \$11 000; Mount Gambier Engelbrecht Cave attraction, \$25 000; Mount Gambier Blue Lake attraction, \$5 000; Penola heritage town development, \$30 000; Murray Bridge riverfront development, \$30 000; Semaphore foreshore train attraction, \$20 000; Bowman Park snake attraction, \$23 000; Port Lincoln silo light attraction, \$14 000; Whyalla fauna park; the Kangaroo Island duck lagoon, \$30 000; the Coober Pedy information bay, \$31 500; State tourist sign program, \$31 000; the Monash playground attraction, first payment, \$15 000; Coober Pedy Moon Plain tour access, \$15 000 (I can strongly recommend that if members want to have a look at some fossils); the Moonta mines development, \$15 000; Glendambo information area, \$20 000; the Marion restoration at Mannum, \$15 000; Port Pirie Cultural Centre, \$50 000; the Argo Barge restoration, Renmark, \$10 000; Moonta Railway station purchase, \$20 000; and Cape Jervis information centre, \$1 200. That is a fairly good spread of money around the State—none of it in Salisbury.

**Mr INGERSON:** None of it in Burnside.

**The Hon. M.D. Rann:** And none of it in Burnside, either.

**Mr INGERSON:** How has the Office of Tourism Development been involved in the Wilpena development project, and what is its ongoing involvement?

**The Hon. M.D. Rann:** The project is the responsibility of the Minister of Environment and Natural Resources. All approvals are in place for a \$57 million project of 280 hotel rooms, plus 180 bungalows, a 150-bed hostel and a 300-site caravan park. I do not mind saying that the Government has made a commitment that \$2 million will be available in infrastructure if the development proceeds. Due to the difficult investment climate, the developer, Ophix, has experienced difficulty raising the finance. Active discussions have been occurring between Ophix and the State, including my officials, to explore alterations to the scale of the project and ways to bring it to fruition. These are positive and productive but have not reached finality.

**Mr INGERSON:** Some time ago Kari Allen was granted about \$350 000. What is happening with that project? What

sort of monitoring is occurring? Where does the Minister see the next positive announcement coming from?

**The Hon. M.D. Rann:** Kari Allen was not given \$350 000. I should explain the project. The State Government established the eco-tourism project in March this year. The aim of the project is to establish a credible eco-tourism sector in South Australia, with operational programs that can tap high-value market segments. The project comprised a four-stage development program, and an allocation of \$350 000 was made for the project. The first two stages of the project were undertaken by Explore International, and its final report is due in October 1993, and work on the third stage has progressed considerably.

Major achievements to date include: a field review of current South Australian eco-tourism product (assessment of the product was made using the International Eco-tourism Societies's criteria, which I know the honourable member is well aware of); the development of potential eco-tourism itineraries (and they were presented for the first time at the New York launch); market testing of South Australia's itineraries in the United States; the promotion of South Australia as an eco-tourism destination to the US not-for-profit sector and the travel media (that is, the New York and Los Angeles launches); and a two-day South Australian eco-tourism forum held in Adelaide on 19 and 20 August.

The forum was attended by over 200 people, including operators, planners, conservationists, marketing people, academics, training people, as well as tourism industry activists. Dr Ian Player (Garry Player's brother), the internationally-renowned conservationist who is accredited with saving the white rhino, was one of the guest speakers, and Ms Marla Deli Priscoli, convenor of the annual American Not-for-Profits in Travel Conference were key note speakers. Considerable progress has been made to date through the project. The Office of Tourism Industry Development and the South Australian Tourism Commission are currently reviewing the market research information and advice generated by Explore International's work and the comment and feedback provided by the forum. This review will result in a program of further action for the project.

At this time it is expected that the next stages of the project will address—in accordance with the honourable member's desire to know where it goes from here—a product development strategy for eco-tourism and nature travel in South Australia; development of sustainable infrastructure (that is, low impact accommodation models, transport and service requirements); most importantly, the establishment of industry standards, codes of ethics and accreditation requirements necessary to maintain the integrity of the tourism and conservation objectives of eco-tourism and nature travel; and the development of a South Australian eco-tourism brand marketing and communication strategy.

Further, an in-principle allocation of \$940 000 has been set aside to enable the further development work to be done. However, formal commitment is awaiting a firm proposal to develop by the new steering committee project team. There are a number of issues about the definition of 'eco-tourism', environmental and ecological education, emphasis on contribution to conservation and human wilderness interaction. Certainly, we have been very pleased with the work done so far for by Explore International, and I am looking forward to its report in October.

**Mr INGERSON:** Will the Minister supply to the Committee the reports written so far—he said that they were

made available in the United States? How much money has been paid to Explore International for this project?

**The Hon. M.D. Rann:** The total cost of stages 1 and 2 of the project so far is \$133 374. Of this amount, fees totalling \$47 716 were paid to Explore International. The report is currently in production and editing and so on. I do not know whether it will be ready for the close of the Committee hearings, but I will certainly undertake to provide the shadow Minister with a copy of this report, because it is very important that there is bipartisan support for eco-tourism. And I know he is a bit of a closet greenie, as I am.

**Mr INGERSON:** The Program Estimates indicates that instead of production of 100 000 copies of *SA Shorts*, as last year, we will be budgeting to produce 200 000 this year. What is the reason for that?

**The Hon. M.D. Rann:** That is correct. I know that Geoff Coles, in particular, is very, very keen to achieve a much wider distribution of a campaign which has won awards and which I think is an outstanding credit to Tourism South Australia and its marketing team. I invite Roger Phillips to comment further.

**Mr Phillips:** The intention was to develop the *Shorts* booklet to the stage of 400 000 to 450 000 copies being distributed throughout the State. This is seen as an interim step. The booklet this year is also moving a step closer towards being self-funded with the inclusion of advertising, and we believe that within the next two years we will be up to the 400 000 to 450 000 mark.

**Mr INGERSON:** I noticed in the *Advertiser* on 16 September that Cabinet was reported as having made a decision to approve an injection of \$10 million for the upgrading of Adelaide Airport. What input did the Tourism Commission have into that decision; and where will this sum come from?

**The Hon. M.D. Rann:** To be absolutely precise, I said previously that \$47 716 was paid to Explore International for stages 1 and 2 of the project. That figure did not include the fees relating to the New York launch; it was in terms of stages 1 and 2 of the eco-tourism project here.

The Adelaide Airport achieved its second year of marginal profitability in 1991-92 with a \$1.4 million operating profit. This is expected to increase in 1992-93 but to fall in 1993-94 because of a 20 per cent decline in revenues resulting from the Compass collapse and the rescheduling of smaller aircraft to Adelaide by Ansett and Australian.

In terms of the airport development, the State Government's priority remains the development of additional international terminal and aircraft parking capacity and a runway extension. Both are included in the Adelaide FAC's 1991 master plan, with a specified trigger point for the timing of the development. The fact is that these trigger points have already been exceeded in some cases. Notwithstanding this, the FAC executive and board reject completely the requirement for a runway extension at any time but have included \$100 million for terminal development in its capital plan from 1992-93 to 2000-01. In order to kick-start these developments, the transport hub executive is about to begin a consultancy to revisit the FAC master plan; make recommendations concerning an appropriate infrastructure plan in light of fundamental industry changes since the master plan was produced; to determine the extent of Federal, State or private funding necessary; investigate funding and control options; identify benefits to the State's economy resulting from airport development; and draw up strategic implementation plans.

State Cabinet, as the Premier revealed the other day, has approved \$10 million in 1993-94 for this and for preliminary design EIS work, and to provide leverage for Federal or private funding. The fact is that an upgraded airport is of vital importance to this State, and again I hope there is bipartisan commitment to that.

**Mr HAMILTON:** What is the status of the Kinsmen project in the Barossa Valley and what Government assistance is being provided to that project?

**The Hon. M.D. Rann:** Yesterday I announced that the State Government is prepared to inject \$2.25 million in a bid to secure a multi-million dollar resort in the Barossa Valley, using funds designated under the tourism infrastructure fund, but the offer to Kinsmen for the development of the \$18 million Barossa Valley resort is subject, as I mentioned before, to the detailed investigations and recommendations of the Parliamentary Industries Development Committee concerning the final proposal. I take that committee very seriously. It is a bipartisan forum—and I want to emphasise that: Labor and Liberal members do an outstanding job on that committee—and I am looking forward to its report and recommendation.

The Kinsmen project has high strategic importance for South Australia and is strongly supported by me as Minister for Tourism and indeed by the Government. The Economic Development Authority (EDA) and the Office of Tourism Infrastructure Development (OTID) have been working closely with Kinsmen to assist in the development of the resort. The Government recognises that in the currently depressed tourism property market a substantial incentive is necessary to attract investment to this important project.

The Barossa Valley is one of the State's strongest marketing assets and the development of this resort will tap new tourism markets, particularly from interstate and overseas. It will not only lift the profile of the Barossa Valley—and that is why we are doing other things such as buying the Die Gallerie site as a wine interpretation centre—but will boost investor confidence in South Australian tourism. The Barossa Valley resort will be a four-star hotel with a convention centre and golf course incorporating an upgrade of the existing Tanunda golf club. It will enable better penetration of the interstate conference market and provide destination appeal for this high value market. The \$2.25 million funding will be part of the Government's economic development program under that infrastructure line and will be conditional on a number of requirements being met by the developers. Advance discussions were occurring between the Government and Kinsmen to finalise those proposed conditions.

The honourable member mentioned in his opening address, or perhaps just subsequent to that, the break-up of that \$2.25-million. It certainly includes direct infrastructure in terms of the upgrading of the Tanunda golf club, road works and bridge works, and we look forward to a partnership in developing the Barossa as an outstanding centre, both internationally and nationally.

**Mr HAMILTON:** It would be wrong of me to become involved in the Estimates Committees if I did not ask a question of a parochial nature.

*Members interjecting:*

**Mr HAMILTON:** Not Football Park lights. This Government resolved that matter: you could not do it. A number of statements have been made about what may or may not occur in relation to Estcourt House at Tennyson. At one time there was a plan to develop Estcourt House. Unfor-

tunately, it is going to wrack and ruin. Vandals have been in there, local residents are concerned about the state of that building, and it seems a shame that such an historic building is just laying idle and seemingly nothing is occurring. Can the Minister advise me, so that I can advise my constituents accordingly, what, if anything, is happening in relation to Estcourt House? Are there proposals or discussions taking place in relation to the development of that building and/or the surrounding estate?

**The Hon. M.D. Rann:** I do not regard this as a parochial question because it is very important and I know that the honourable member works assiduously in his electorate and in the Tennyson area in a whole range of ways. In February 1990, Tourism South Australia called for tenders for the development of Estcourt House for tourism purposes. Strict guidelines for the development were provided to potential developers as part of the tender process. No tenders were received and, despite discussions with a number of potential developers, no acceptable offers in terms of tourism use of the site or the value of the site were received.

The South Australian Health Commission was paid \$2.3 million in 1989 when the property was declared surplus to its requirements. Since that time Land South Australia—which is now, of course, DELM—has been responsible for maintaining and securing the property. An investigation has been completed into the costs involved in the preparation of the building for interim use and also stabilisation of the building, and that is very important. OTID was working with the Department for the Arts and Cultural Heritage examining the possibility and potential of a cultural tourism and heritage centre as an interim use until an appropriate tourism development could be secured. However, the requests for doing so for interim use were not sustainable in terms of the \$2 million that would have been required. So, other options will have to be pursued.

OTID and DELM are continuing to receive inquiries regarding the site and the use of the buildings is being investigated, particularly those that will contribute to the long-term marketability of the site for tourist purposes. Finally, in discussions with the Manager, Property, of DELM, OTID will continue to seek investors for a significant tourism project at Estcourt House. In summary, the site is being held for tourism development and we are looking at issues such as interim use and stabilisation of the building. We will advertise for interested parties for the properties once again.

**Mr HAMILTON:** I would hope that an interim measure can be taken for some group to utilise the property. It seems to me to be an awful waste for it to be lying idle. Unfortunately, we have these vandals who come in, smash windows and wreck the place. Of course, that is of concern to local residents who keep a watchful eye on the property. I suspect that they are, quite properly, concerned about the impact on their property values in that area. I am approached quite often on this matter. I thank the Minister for his response and I will certainly circulate it to the people in the Tennyson area.

I have two nomadic children who like to wander off overseas and, of course, they are backpackers part of the time. I understand that this form of travel is very big in Europe. Can the Minister advise the extent of the impact this form of travel has upon tourism in South Australia? What provisions are made for backpackers and what is the value to South Australia of these very important young people?

**The Hon. M.D. Rann:** There is absolutely no doubt whatsoever that backpackers are an important part of our tourism thrust. Indeed, many people confuse the different

ends of the eco-tourism market. For instance, when you are talking about eco-tourism some people ask, 'Are you talking about backpackers?' The answer in some cases is 'Yes'. In other cases it is what I call five-star camping at the very top end of the market, which is—

*Mr Becker interjecting:*

**The Hon. M.D. Rann:** The honourable member has just mentioned New Zealanders. It is true that New Zealanders are avid backpackers. I tend to be more at the five-star end of the market in terms of eco-tourism; it is called 'lazy adventure' or 'safe adventure'. The backpacker market is an important, high-profile and rapidly growing sector of the Australian tourism scene. It is estimated that the number of international backpackers visiting Australia has grown at around 10 per cent per year over the past five years to a current level of over 200 000 annually. Backpackers rate highly in terms of their total trip expenditure, which is estimated to be up to six times that of the average Japanese visitor. The total value of backpacker expenditure nationally is about \$1.5 billion per annum.

Their age and socio-economic characteristics and the high satisfaction they report on their visit to Australia suggest that backpackers have a high potential to return to Australia at some future time. In fact, a recent study reported two-thirds of backpackers saying that they will return to Australia within five years. Backpackers tend to be adventurous travellers prepared to experience all Australian States and Territories on their trip.

The estimates of the proportion of Australia's backpackers visiting or intending to visit South Australia vary between 60 per cent and 70 per cent in recent studies. In 1993-94, the Australian Tourism Commission will initiate a marketing program specifically directed at the backpacker sector. The emphasis of the program will be in presenting South Australia's assets that appeal to backpackers to encourage them to stay longer and spend more in the State. The program will research and exploit the information sources that backpackers use in gaining information on Australia's attractions and planning their trip and budget schedules, so that our marketing messages can get into the backpacker information network. Perhaps we could even include a video of the Susan Mitchell interviews as part of that attraction.

**Mr INGERSON:** Some time ago the Minister announced the setting up of an events group. I notice that Mr Bob Nicholls has now retired. Who will head up the group; what projects are currently being investigated; and what is the budget for the group in 1993-94?

**The Hon. M.D. Rann:** This is another initiative to which I am particularly committed, and I would like to share with the Committee my philosophy on this. For a long time we had some designated groups in this State, such as the Grand Prix, which had events-bidding responsibilities. We had the Commonwealth Games bid, which was an outstanding job, and I want to pay tribute to that group for the work that it did and for the work that the honourable member who just interjected did in a bipartisan way—and there should be more of it. There is also the Convention Centre, the Department of Recreation and Sport, and a whole range of different groups involved in events bidding.

It seemed to me that it would make sense to bring all those people together who had experience in bidding rather than seeing their experience dissipate after either a successful or unsuccessful bid—and there will always be successful and unsuccessful bids. We should bring together that tremendous expertise that we have in this State.

The initial step in this process occurred in December, when Colin Cotch of the Adelaide Festival came to see me about WOMAD (World of Music and Dance). He said that there was window of opportunity of about two days for us to make a bid to secure WOMAD and to stage an international festival in February. It sounded ambitious, but we also recognise that we can do these things well in South Australia. We provided the underwriting and sponsorship for that, and brought off a world class event that attracted thousands of visitors to this State. So, we have brought together, initially under Bob Nicholls, who was then Managing Director of Tourism SA, those agencies and institutions involved in bidding for new events to the State. No set budget was allocated to the group: rather, it was anticipated that the resources already being expended by the participating agencies could be put to better use by cooperation and better coordination.

From the first meeting it was clear that a large number of events were being considered or could be bid in the next two years. Progress was made immediately and one such event, with a commitment and support given and publicly announced, is the Great Australian Winery Tour, a five day bicycle ride through the South Australian wine regions, ending in Adelaide on the Saturday night of the Grand Prix. I certainly invite the shadow Minister to participate in at least one leg of that bicycle trip. The event is proposed for the next four years, so there will be substantial international media coverage of the Great Australian Winery Tour. It is not only bringing into the State people who are spending money, bringing supporters and gaining television coverage: it is also showing some of our very best scenery and attractions, in a key icon such as wine, and not just in the Barossa, but in Clare, McLaren Vale, the Coonawarra, Riverland, and so on.

The events group also provided funding for the Honda Music Fiesta ballroom dancing championship, which occurred last weekend and which saw thousands of people in the Entertainment Centre. In a spirit of bipartisanship that has overwhelmed me since noon, I want to pay tribute to Jennifer Cashmore. She has done an outstanding job in being Chair of the Honda Music Fiesta. I did dance with her on Sunday night—you can check—and with Mary Beasley and Libby Ellis. I almost felt overwhelmed by the opportunity. Perhaps next year or on some future occasion, I will make sure I was down there on the stage of the Entertainment Centre, but I have never been a showy sort of person.

The events group provided funding for the world open land speed record at Lake Gairdner, Eyre Peninsula, on 5 November 1993. That will be a massive international event. I do not think many people realise what is involved in mounting a bid on the land speed record: tests must be made as to whether the salt is right and whether the tension in the ground has the ability to retain the weights at the speed at which the vehicle will be travelling, etc. There are currently 10 other events being progressed and a further 15 events under consideration. These events are being bid for nationally or internationally, and we recently sent someone to Europe to bid for an event that we are very excited about. We do not want to blow those bids at the moment. The future structure, funding, staffing and participants are currently under consideration.

The Chairperson, I can announce today, is the Chief Executive of the South Australian Tourism Commission, Michael Gleeson. It also has representatives of the Adelaide Convention and Tourism Authority, Bill Spurr, an outstanding citizen who has made a great contribution to tourism in

this State; and representatives of the Adelaide Convention Centre, the Department of Recreation and Sport, Department of Arts and Cultural Heritage, the Adelaide Festival Centre, the Grand Prix Board, and the Adelaide City Council. I want to pay tribute to Sheila Saville for her work with this group as well. Of course, as Minister, I have a very hands-on role in all of these ventures.

**Mr INGERSON:** In light of the increasing competition with the 1994 Adelaide Festival of Arts and future festivals, what strategy is being developed by the Tourism Commission to make sure that Adelaide remains the leader in this arena? Secondly, what has been done to make sure that the Adelaide Festival of Arts will play a leading role in the 1996 year of Australian festivals promotion, to be conducted by the Australian Tourism Commission internationally in 1995?

**The Hon. M.D. Rann:** We work very closely and cooperatively with the Adelaide festival. I think there is an extraordinarily strong degree of cooperation between myself and Christopher Hunt. Christopher and I have been involved quite recently in talks about a very exciting venture for the next Festival of Arts. I will be making a statement about that hopefully in the next week or so, because we are currently negotiating it. I can tell members that there is a great deal of cooperation in the marketing sense. We put in money to assist the Adelaide festival to market itself interstate and overseas. Perhaps Roger Phillips would comment on that degree of cooperation.

**Mr Phillips:** The Adelaide festival and the commission have a very good working relationship and have had for a number of years. As to this coming festival, our cash contribution from budget lines will be in the order of \$82 000 to the festival and the fringe, together with a substantial investment in staff time on our part. We will also be assisting the Adelaide festival to put in place wholesale travel packages which will be sold through our interstate and overseas offices. As to the role of the Australian Tourism Commission, we are in the process of negotiating with the ATC on cooperative funding overseas on that matter. A senior executive of the ATC is holding meetings with us in Adelaide tomorrow.

**Mr INGERSON:** I table this omnibus question, involving boards and committees as they relate to tourism. I refer to the role, function and the number of people concerned, and also to the matter of public sector reform, involving contract officers and VSPs, etc., which may or may not be activities occurring within the department.

**The Hon. M.D. Rann:** I know that this is unorthodox, but in order to facilitate a productive and constructive bipartisan exchange, I will take those matters on notice.

**Mr BECKER:** How many consultancies were there last financial year? I do not think it is reported in the Auditor-General's Report. Not all departments have yet caught up with the report of the Economic and Finance Committee. What is the projected number of consultancies for this current financial year?

**The Hon. M.D. Rann:** The consultancy activities undertaken by the Tourism Commission during 1992-93 included a Lower Mid North market report by Reark Research at about \$12 000; a South-East visitor survey at \$6 900; Fleurieu Peninsula visitor survey at \$7 300; holiday intentions survey by McGregor Marketing and Reark Research at \$6 500; brochure evaluation by Harrison Market Research at \$7 500; brand awareness survey by Tan Research at \$1 500; Yorke Peninsula market study; market and industry

research for Wilpena development; Glenelg project construction cost check; and I have mentioned eco-tourism.

Further, I indicate undertakings involving Michels Warren; Hilditch Design, which is a fairly major contract in terms of advertising; Interaction; and Young and Rubicam, the advertising agents for the Tourism Commission. This information has been provided to the Opposition previously, but we can check on that.

**Mr BECKER:** Can I have a list of consultancies for last year and this year, particularly in terms of the recommendations made in the Economic and Finance Committee report, because it is the aim of that committee that a list of consultancies be published?

**The Hon. M.D. Rann:** Do you want a list of consultancies since that Economic and Finance Committee report to see whether it has had an effect?

**Mr BECKER:** Yes, for 1992-93 and any that are proposed for 1993-94.

**The Hon. M.D. Rann:** We will obtain that information for the honourable member.

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

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Office of Business and Regional Development, \$3 045 000  
 Minister of Business and Regional Development—Other payments, \$32 851 000  
 Economic Development Authority, \$30 387 000

#### Departmental Advisers:

Mr J.D. Cambridge, Managing Director, South Australian Centre for Manufacturing.

Mr I.L. Withall, Manager, Coordination and Evaluation, South Australian Centre for Manufacturing.

**Mr OLSEN:** I have standard questions to be replied to in due course; I do not expect the replies here and now. The following questions relate to all topics so that I do not have to repeat them. For what boards, committees and councils does the Minister have responsibility as Minister or within his department or agency? In respect of each such board, committee or council, who are the members? When do the members' terms of office expire? What is the remuneration of the members? Who appoints the members and on whose recommendation or nomination is the appointment made? What is the function of each such board, committee or council?

How many officers are now on contracts of service rather than permanent employment, and what levels are they serving? Who, if any, of these officers are subject to performance reviews? How is performance measured, who measures it, who reviews it and what are the consequences of failure to perform? Are any performance bonuses paid and, if so, what are they and how are they measured? What, if any, savings have been identified from restructuring and where are those savings being made? Do the savings involve a reduction in staffing numbers? If they do, how many staff will leave, from what areas will they leave, and at what stage of the restructuring will they leave? What, if any, improvements in efficiency have been made? How are those improvements measured, and what is the reward for improvement or penalty for failing to improve? What problems have been identified as resulting from restructuring?

For each department and agency for which the Minister is responsible, how many positions are to be abolished through targeted separation packages, and what is each position? How many persons have so far applied to take the benefit of a TSP? How many targeted separation packages have so far been accepted? What has been the pay-out under each TSP? What are the salary and conditions of service of each ministerial officer, and what are the job specifications of each officer?

**The Hon. M.D. Rann:** I will be happy to ensure that those questions are answered to the best of my ability.

**Mr OLSEN:** The Auditor-General's Report this year refers to the Centre for Manufacturing, which is a success story in South Australia and which is recognised as such. It deserves commendation for its performance and its track record. There is not much doubt in my mind that the private sector acknowledges the achievements of the centre. The Auditor-General's Report (Page 41) indicates that only \$1 million has been advanced for the manufacturing modernisation program. In the Estimates Committee of 15 September 1992 the Premier said that there would be substantial additional funding. He stated:

However, we are looking at something of the order of \$6 million for two particular sectors: the automotive sector and the textile, clothing and footwear sector, the bulk of that going to the automotive sector, some \$5 million in an indicative sense. Some \$11 million will go to mines and energy. For the manufacturing modernisation program, again this will be funding that will be passed on to another agency to deliver. In this case, the various programs under the Centre for Manufacturing, something of the order of \$8 million, in that particular area.

As I said, the Auditor-General's Report indicates that funding of only \$1 million has been advanced. Can the Minister explain that?

**The Hon. M.D. Rann:** I am very pleased to respond to that question. Last year the Government considerably expanded the role and functions of the Centre for Manufacturing to deliver the new manufacturing modernisation program, including the automotive program, the TCF program and more recently the tooling program. The automotive program works in conjunction with the centre with the automotive task force and the TCF task force, both of which I chair. In addition, the centre has assumed the hands-on industry sectoral functions, which were previously the responsibility of the old Department of Industry, Trade and Technology. The expansion and take-up of these new functions and responsibilities have proceeded both smoothly and efficiently. The centre has moved into refurbished accommodation at Manufacturing Park and has more than doubled in size. It has achieved all of this and managed to very quickly implement the Government's new industry programs. The workload speaks for itself. In just five months since February 1993, when the new programs really got going, the centre has managed to visit 624 companies and provide or commit financial assistance of \$7.6 million to companies in South Australia.

The response to these new programs by industry has been excellent, and I believe that they have hit the target in assisting South Australian industry to survive and grow. Since it began operations in the 1987-88 financial year, the South Australian Centre for Manufacturing has helped 1 156 firms with the delivery of 1 678 programs of assistance. The honourable member is quite right, and I applaud him for his bipartisan stance, in saying that the centre has been extremely well accepted by industry in this State and has assisted a diverse range of companies (large, small and medium) from

the likes of Holden's Automotive to two or three person companies such as Albox.

The centre has worked with companies such as Arnott's; Castalloy; T.H. Brown; Walker's; Mitsubishi; Air International; Glenn Industries; Penrice Soda; the Australian Submarine Corporation; Nexus at Victor Harbor—a company that had about nine employees and now employs over 80—which won the Minister's special award; Grant Burge Wines, which won the grand prize at the Small Business Awards recently; Beerenberg; Philmac; and many more. The list is impressive. It is interesting that two of the companies won two of the five small business awards last Friday, and they received advice, assistance and practical help from the centre.

The centre has a high profile, nationally and internationally, and is highly regarded by the Federal Government. Both John Button and my good friend Alan Griffiths see it as an excellent model for the efficient and effective delivery of real and practical assistance to Australian companies. The centre's international links are also impressive. A great deal of credit should be given to the Managing Director for establishing contacts and formal links with leading world companies and institutions such as General Electric Aircraft Engines, the German Fraunhofer Institute for Manufacturing, Engineering and Automation, the Motorola University, Westinghouse and MIT, which I visited during my visit to the United States in late June. I will invite John Cambridge to comment further in terms of expenditure.

**Mr Cambridge:** The amount that has been advanced to the centre to date is \$2.590 million, as listed on page 283 of the Auditor-General's Report. To date, there are total commitments against that program of \$5.2 million, and the funds are brought down, as we make the commitments, from the Economic Development Authority.

**Mr OLSEN:** I refer page 41 note 6 of the Auditor-General's Report. Under 'manufacturing modernisation program', the amount of funds advanced total \$1 million.

**The Hon. M.D. Rann:** I will ask Mr Withall to comment.

**Mr Withall:** The amount paid was \$1.041 million. We actually receive amounts in advance, which are included as current liabilities because we have received them. Until such time as the funds are allocated, they are included in the liabilities. When we issue the grants, the expenses and income are brought to account, so that income and expenditure equal each other and there are no tax problems for the centre.

**Mr OLSEN:** On page 142 of his report, the Auditor-General notes this significant feature:

An amount of \$40 million was appropriated by Parliament to boost and modernise industry and to provide further assistance to specific industries.

I note further that on 30 June 1993 payments from those funds totalled \$17.9 million, which is far short of the amount allocated by Parliament. Why has the take-up of the various programs been well below expectation?

**The Hon. M.D. Rann:** The honourable member does not seem to understand. He is talking about the EDP, which I understand will be dealt with after the Centre for Manufacturing. However, the point is that it is the amount of money that is committed. I hope that the honourable member's approach to business is not that, when you have \$40 million, you suddenly spray it against the wall. You negotiate, enter into agreements and make commitments. Indeed, that amount of \$40 million is designated and committed.

**Mr OLSEN:** I make the point that when the funds were committed the program was not identified as being a three-

year program but as a program that the Government was putting in place. Without explanation to the Parliament, one would expect the take-up of this program to be during the financial year to which it was designated. There was no rider by the Premier in either the budget papers that were brought down or his economic statement, which was introduced earlier this year.

**The Hon. M.D. Rann:** The fact is that \$40 million has been committed. In fact, the amount is in excess of \$40 million. As I have just pointed out, since February 1993 the centre has provided or committed financial assistance of \$7.6 million to companies in South Australia. The amount of \$1.5 million, which was allocated to the wine industry and which all members, certainly members opposite, applauded, was asked for because it was working on a campaign. The Chamber of Commerce and Industry operates the export centre in conjunction with Austrade and the EDA, but when we land the money we do not immediately stand on the corner of King William Street and hand out \$100 notes to anyone who passes by—that would be absolute idiocy. We make inquiries, enter into agreements and then make a commitment, and the \$7.9 million allocated to the Centre for Manufacturing has been provided or committed.

**Mr OLSEN:** An inane lecture on financial management by the Minister does this Committee no good and does not advance its deliberations. In 1992, the Government spent \$12 million on incentives to assist industry across the board. In the last financial year \$7 million was spent across the board. My point is that there has been a very slow take-up of the number of programs that the Government has put forward. Despite what the Minister says in his attempts to lecture the Committee, there has been a slow take-up of these programs, and there must be a reason for that. I simply want to get onto the record why this is so. Has the downturn in the economy placed people in a position where they are not able to take up some of these programs because matching finance is required by those industries? What is the reason for this slow take-up?

**The Hon. M.D. Rann:** The fact is that the amount of \$40 million, which the honourable member believes has been slow to be taken up, has been committed. We have seen examples of that today in terms of tourism infrastructure. I will not tell Kinsmen that it must spend that \$2 million tomorrow. We will secure the project. An amount of \$300 000 was committed from the tourism infrastructure fund to the Arid Zone Botanic Park, and money was committed to the Birdwood Mill Museum. However, when we make those commitments and when these bodies are drawing up plans we do not tell them that the money must be spent on that day. That would be juvenile. I will invite Mr Frogley to add to that answer.

#### **Additional Departmental Adviser:**

Mr J. Frogley, Executive Director, Business Assistance.

**Mr Frogley:** The \$40 million program was divided into a number of budget areas: the manufacturing modernisation program; the Mines and Energy program, which is aimed at geophysical surveys; a strategic tourism program; a special program for the automotive industry; and programs for TCF, infrastructure and the transport hub. During the year a number of programs have been added, including \$1.5 million to support a major export promotion for the wine industry. At 30 June 1993 some \$17.8 million had gone out the door. Carried forward commitments for projects exceeded the balance of the funds available.

Those funds have been carried forward into 1993-94 and will be added to the funds provided in the budget this year, enabling us to make further commitments. I will give an example of the nature of many of the projects: under the auto program we have made commitments to encourage a number of major investments by auto component manufacturers. Our funds will go in only when there has been performance by the auto company, in other words, when it has made the investment in its plant. We would expect that to happen during the course of this financial year.

**Mr OLSEN:** I note in 1992 some \$2.27 million worth of funds was expended under the NIES program and in 1993, \$1.051 million. Is there an explanation for the variation in the figures that have been reported?

**The Hon. M.D. Rann:** This might be where some of the confusion is arising from the papers. The figure of \$1 million mentioned earlier came from our contribution, because it is a Federal/State initiative, to the NIES program. That \$1 million referred to that, and it is one small component of manufacturing modernisation.

**Mr Cambridge:** In previous years, the State Government's contribution to NIES has been less than that of the Federal Government to this joint State-Federal Government program. Under the manufacturing modernisation program, \$1 million was the State's contribution directly into the NIES funds—far in excess of its allocation to that funding in previous years. That is to clarify page 41 of the Auditor-General's Report. The total funds that were estimated to be spent were \$1.838 million, and the actual \$2 063 215. I am not sure whether that clarifies the honourable member's question. We are over committed in the NIES funding area.

**The Hon. M.D. Rann:** So, rather than being massively under spent we are over committed.

**Mr HAMILTON:** It is not often I hand out bouquets, but I would like to do so in relation to a problem I had with an organisation in my electorate. I rang Mr Cambridge and spoke to him; I must say that the promptness with which he dealt with that matter and followed it up was very much appreciated. I want to put on the public record my appreciation. I was very impressed with the promptness with which that matter was subsequently followed through. I am hoping that that company will be more than successful and will play an increasingly important role in South Australia.

What is the NIES program really all about? MPs and, I suspect, many people in the community do not really know what NIES does. There are so many different projects around that I suspect that I, like many others, can become confused as to what all these programs are. I would like to have this program fleshed out so that I can fully comprehend and understand what the program is doing.

**The Hon. M.D. Rann:** It is one of the best programs in the country. Whilst it has been delivered in different ways in different States, there is absolutely no doubt in my mind that we are doing it better than elsewhere. I do not usually pay florid tributes to public servants, but John Cambridge has performed outstandingly. The comments made by several members have been reflected in my visits to factories and industries throughout the State. I want to take this opportunity publicly to pay tribute to John and his team for a job well done. John Cambridge is a member of the national board of NIES, so I will ask him to give the details.

**Mr Cambridge:** The National Industry Extension Service was a vision of the then Minister for Industry, Technology and Commerce, Senator John Button. In 1985-86 he attempted to get and was successful in getting all the States of



Australia and the Commonwealth Government to join together to provide consistent industry assistance across the nation for the first time in the history of Australia. The support mechanism that he named to do that is the National Industry Extension Service. The National Industry Extension Service is meant to involve a 50 per cent contribution from States and a 50 per cent contribution from the Federal Government to provide support to small, medium and large enterprises in the trade of goods and services sector of the economy towards helping them become world competitive and export oriented.

It comprises, in general, up to 50 per cent subsidies across a broad range of assistance to companies, ranging from business planning through to quality assurance, total quality management, acquisition of new technology, introduction of new product design and upgrading of one's human resources and organisational methodologies at the shop floor—right through to just about anything. Almost anything can qualify under the National Industry Extension Service to assist companies to survive and grow.

The concept is about helping the companies help themselves. It is a national network, so there is some continuity between, say, companies that might have outlets in different States, so they do not get confused with the different systems in those States. In 1987, when the Centre for Manufacturing was established, this State was chosen to deliver the National Industry Extension Service not out of a Government department as such but out of the Centre for Manufacturing. Last year, under the Premier's economic statement, the manufacturing modernisation program and the other programs that were the initiatives of the Government at that time have been dovetailed with and are totally consistent with the National Industry Extension Service. So, in summary, any small to medium sized business wanting any form of assistance can access NIES anywhere in Australia and get consistent help.

**Mr HAMILTON:** I appreciate that update, as there are many national and State projects. How does the Centre for Manufacturing ensure that its consultants keep up with new developments in industry and that their skills are updated on a regular basis?

**The Hon. M.D. Rann:** In terms of getting the consultants up-to-date, we have a consulting college, the purpose of which is to develop new skills for the centre's consultants and management consultants in the private sector. I want to make that quite clear: when we talk about the Centre for Manufacturing, there is a great deal of confusion amongst people who are not in industry—because people in industry know what it is all about—who are asking, 'What is it doing? Is it manufacturing things, or is it a group of public servants who are there to advise industry on how to do its job?' The answer is 'No.'

It has its own highly skilled consultants drawn from industry itself, and it also engages consultants with specific expertise on a State and national basis to work with companies in terms of technological innovations, human resource innovations, benchmarking, total quality controls, world best practice and so on. The centre is now in a position to develop programs tailor-made to suit the State's manufacturing and service industries and train the management consultants in these new techniques.

Australia's first training college for consultants in the manufacturing industry is now being set up at the South Australian Centre for Manufacturing. The centre has gathered and constantly updated the widest body of knowledge in Australia on world best practice, and through the college the

Centre for Manufacturing plans to use and distribute this knowledge to its best effect on the South Australian economy. The first program will focus on the introduction of quality management systems into enterprises and is scheduled for 25 and 29 October 1993.

The Centre for Manufacturing and its consultants are being used by companies of the calibre of Mitsubishi, Arnotts, the Australian Submarine Corporation, Holden's and a range of others in terms of upgrading their ability to be internationally world competitive.

**Mr HAMILTON:** How does the Centre for Manufacturing assist the local automotive component manufacturers to expand their markets, which is obviously very important to this State?

**The Hon. M.D. Rann:** It is absolutely vital that the components part of the automotive industry in South Australia remain healthy and viable. There are companies in this State in the automotive components industry that are internationally competitive. I think everyone has heard of Castalloy's involvement with Harley Davidson, but a whole range of companies are out there selling into Japan, the United States and Europe. Although the centre is not directly involved in finding overseas markets for local components manufacturers, it is involved in expanding local sourcing opportunities.

In particular, it is currently liaising with General Motors- Holden's on the sourcing of new components for the 1997 Holden Commodore VT model. It is the objective of the centre to maximise the percentage of components manufactured in the State. It is planned that the VT model will be manufactured for eight years from 1997 into the next century, and it is critical that as much as possible of the vehicle be manufactured here in South Australia.

**Mr HAMILTON:** How many automotive components manufacturers are there in South Australia; how many people do they employ; and what are the financial benefits for this State and the industry?

**The Hon. M.D. Rann:** On our last count there were about 26 automotive components suppliers in this State, but we will certainly provide an update on that. The automotive task force in this State is undoubtedly the national leader in a whole range of ways. It includes people from the major manufacturers and not just from South Australia: it involves representatives from Ford and other firms interstate. It is a South Australian automotive task force, but we have national clout because we work cooperatively with other States. It is one of the few opportunities in Australia to have components suppliers, manufacturers, the major companies, retailers of automobiles, Governments, unions and automotive industry representatives on the same committee.

Recently, I brought Alan Griffiths over to meet with the committee and he spent two days visiting automotive components manufacturers and the major manufacturers themselves, and I think that both he and they appreciated the exchange. The task force and a whole range of its initiatives is something that I want to commend to members, working very closely with the Centre for Manufacturing.

**Mr OLSEN:** Last year, when discussing the factory modernisation program, Mr Cambridge advised the committee of several steps, one of which was that guidelines were to be drawn up in relation to perhaps the sub-element of the program (I think that is the way in which it was described) for financing and resourcing for factory modernisation. Venture capital and participation were referred to, and it was indicated that guidelines would have to be established and forwarded

to the department and the Minister for approval. What is the current status in relation to the establishment of those guidelines?

**Mr Cambridge:** We do have guidelines on the program and I would be happy to forward them.

**Mr OLSEN:** In relation to the NIES program, the committee was advised that there were a significant number of applications greater than funds available through the joint Commonwealth-State funding facility. How many applications were received last year, how many have been satisfied and how many are pending or have been rolled over?

**The Hon. M.D. Rann:** We might be able to give an answer on the spot rather than taking that question on notice.

**Mr Cambridge:** I cannot provide all the answers, so we will have to provide some information later, but I can say that 212 companies were assisted under the NIES program, and at the end of the year the outstanding commitment under that program was approximately \$800 000. I will forward the details to the honourable member.

**Mr OLSEN:** I have a supplementary question. How does that figure of 212 approvals compare with the previous year?

**Mr Cambridge:** It is up by about 20 per cent. If my memory serves me correctly, about 176 companies were assisted and approved in the previous year.

**Mr OLSEN:** Regarding the 170-180 versus the 212, were more dollars committed as well as more applicants?

**Mr Cambridge:** Yes: more dollars committed, more applicants.

**Mr OLSEN:** Perhaps in due course the Committee could be apprised of those details. On previous occasions I have heard Mr Cambridge refer to the Asian productivity organisation and the fact that Australia is not a participant to that group. My understanding was that endeavours were to be undertaken to try to achieve membership for Australia. What endeavours have been put in place and what is the status of that?

**The Hon. M.D. Rann:** On a whole range of fronts we are making a big push in terms of improving contacts with Asia. Members would be aware of the Business Asia Convention just after the Grand Prix, but recently Mr Cambridge has been in Hong Kong to reach agreement on a number of interesting coalitions of expertise with Hong Kong and other Asian industries.

**Mr Cambridge:** The Asian Productivity Organisation is the premier organisation now in South-East Asia, where all member countries are getting together to look at productivity issues. Australia has not been a member of that organisation, unfortunately. I recently visited the head of the Asian Productivity Organisation, a previous ambassador to Australia, Mr Tanagi, and as a result of that visit I prepared a report for Federal Minister Griffiths. I understand he is now having his department review its previous decision and it may be that we do become a member. In addition, the State has agreed to contribute some funds towards Australia's becoming a member of the organisation. I understand that the Western Australian Government has made the same commitment.

**Mr OLSEN:** What is the cost of membership of the Asian Productivity Organisation?

**Mr Cambridge:** From memory, it is about \$1.3 million per annum. The current view of DITARD—Minister Griffiths' department—is that the States should contribute on some sort of *pro rata* basis, and the Federal Government will pick up a yet to be determined fairly hefty portion of that.

**Mr HERON:** The Premier attended the expansion of Walker's muffler factory at Lonsdale. Has the Centre for Manufacturing provided any assistance to that enterprise in the 1992-93 financial year?

**The Hon. M.D. Rann:** The centre has been working with Walker Australia in connection with the acquisition and relocation of Lukey Mufflers to its Lonsdale plant south of Adelaide. Its expansion has resulted in the creation of 125 jobs and the increased production will give the Walker factory further economies of scale.

**Mr HERON:** Are there any problems with the Centre for Manufacturing consultants competing with management consultants from the private sector?

**The Hon. M.D. Rann:** This question has been raised before. The Centre for Manufacturing's consultants do compete against private firms in the provision of management consulting services to South Australian firms. That competition is good for the centre and for the consultants. The hourly rates the centre charges for its services are comparable to those in the marketplace. Furthermore, it is the company requesting the services that appoints the consultant, either from the centre or from the private sector. Accordingly, it is the marketplace that determines the successful consultant.

As a result of the centre's consultants competing in the open market, they managed to win 23 per cent of the subsidised NIES business in the 1992-93 financial year, while the majority of the work—77 per cent—went to management consulting firms in the private sector.

**Mr HAMILTON:** The Minister made some reference to the Hong Kong Productivity Council a moment ago. I understand that a memorandum of understanding has been signed between the Centre for Manufacturing and the Hong Kong Productivity Council. What are the goals and objectives incorporated in the memorandum of understanding and what benefits have flowed from that memorandum for the Centre?

**The Hon. M.D. Rann:** It is true that the Centre for Manufacturing has initiated a bilateral agreement with the Hong Kong Productivity Council. Of course, Hong Kong is seen as one of the gateways into China and, as such, this link could become strategically important in future years to assist local manufacturers in gaining access to markets in China. Two of the Centre for Manufacturing's senior consultants have recently returned from Hong Kong, where they have been engaged on a fee-for-service basis conducting a Train the Trainer course on a methodology of strategic planning specifically aimed at manufacturing. In addition, the centre demonstrated a detailed methodology developed in South Australia to evaluate quickly in a structured form the current situation of a firm covering a wide number of critical matters.

The centre is showing by example what can be achieved by a small organisation in the area of export of tradeable services. However, I will invite Mr Cambridge to comment further on our links with the Hong Kong Productivity Council.

**Mr Cambridge:** To date, the only benefits have been this first contract that was completed last week to which the Minister has just referred. Our long-term aim is to use the excellent relationships that the council has in southern China. The council is involved primarily with the Guangdong province, the southern-most province of China. Our aim is to access manufacturing companies and to look for joint ventures and partnerships between South Australian companies and those southern Chinese companies. Up to 300 people in the council are Chinese and we are looking to them to be our agents, rather than our moving into China in a

heavy-handed way and expecting to make these long-term partnerships and arrangements.

We undertook our first consulting contract last week and it went very well, and we are now inviting the Deputy Head of the Hong Kong Productivity Council and one of his senior consultants to come to the centre to look at how we operate and then to hand-hold them into working in a manner similar to ours with the southern Chinese manufacturing companies.

In addition, there is a specific initiative planned for June 1994, which is a combination technology seminar on manufacturing, in which we will take part, and a trade fair in which we will try to help and to which we will take South Australian manufacturers of advanced manufacturing technologies to display their wares and hopefully to provide those wares to southern Chinese manufacturing companies.

**Mr OLSEN:** Has the Centre for Manufacturing been closely involved with and been consulted in the preparation of the economic development plan for South Australia undertaken by the Economic Development Board? Have there been specific recommendations from the Centre for Manufacturing as to the thrust and direction of that economic development plan?

**The Hon. M.D. Rann:** Following the Arthur D. Little report and the creation of the Economic Development Board it has developed a draft paper. In fact, when the Chairman of the EDB and Chief Executive Officer Robin Marrett joins me at the table, I will ask him to comment in more depth. However, some draft reports have been developed by officers of the EDA in conjunction with EDB members. That is an ongoing process of distillation of ideas. Various outside groups have been sent draft copies of the plan. I thought it was in the interests of the Parliament to have that document tabled: if it was good enough for dozens of people from the private sector, unions and academia to be given copies of the report then I believed personally that it was good enough for the Opposition to have a copy. That is the way I like to do business, as the honourable member would know in relation to progress at Lobethal and elsewhere. The Centre for Manufacturing has been involved in providing comments on that first draft and it will continue to be involved.

**Mr OLSEN:** One part of the question was: were there specific directions or initiatives that the centre wanted to see incorporated in that plan?

**The Hon. M.D. Rann:** Yes, there were, and I will invite Mr Cambridge to make some comments, taking into account that this is the process of feeding into a draft document.

**Mr Cambridge:** My senior staff and I reviewed the first draft on the invitation of the Chairman of the EDB; we are very thankful for that, and we have provided written comments. The one change in the first draft that I was particularly interested to see was the focus on enterprise-level assistance in this State. The second draft, which I received only this week, shows a substantial improvement in that respect, in my humble opinion. It deals in a more focused way with the need for us to concentrate on enterprise-level assistance, among a whole range of other things.

**Mr OLSEN:** The centre has an agreement with General Electric Aircraft Engines: what is the position concerning that agreement post-1994 when I understand it is due to expire?

**The Hon. M.D. Rann:** I invite Mr Cambridge to comment. He and his deputy, Mr Munzberg, have been in the United States. When I was in United States, I met with MIT to discuss a formal relationship in terms of the Centre for Automotive Management on a similar basis, looking at an ongoing relationship with MIT, which is the established and

acknowledged centre for automotive research. I invite John Cambridge to comment on the General Electric connection.

**Mr Cambridge:** The current seven year agreement does expire in December 1994. This year we conducted a whole range of negotiations with the international marketing group of General Electric Aircraft Engines to have that extended in some form beyond that date. At this stage, whilst I cannot confirm in detail that GE Aircraft Engines will extend it, we have had verbal advice indicating that they will extend that agreement, possibly on a three to five year basis, but on a reduced level from the current 1 000 hours level of support to approximately 300 hours.

GE Aircraft Engines has suffered a worldwide downturn in the aircraft industry, but is still very willing and does not want to see the links we have established go out the window. So, we are currently waiting on a reply to a letter that the Premier of the State sent to the President of GE Aircraft Engines asking GE to extend that agreement beyond 1994.

**Mr OLSEN:** Do you see a shortage of skilled labour for those industry groups that you have close association with creating a major problem in terms of labour availability for those industries which will be important for us over the course of the remainder of this decade? If so, in what areas in particular would you think there is this shortage of skilled labour?

**The Hon. M.D. Rann:** I invite John Cambridge to respond.

**Mr Cambridge:** Certainly in the areas of our traditional industry strengths there does not appear to be a shortage of skilled labour. What we have a difficulty with, certainly in the existing areas, is the existing labour being able to very readily upgrade its skills to the new technologies, which is yet again a different problem. That is endemic in many western countries, just trying to keep the work force at pace with the rapid changes that are taking place in technology. We have been having discussions with TAFE and the universities about that issue. It would present a huge capital equipment problem to the TAFE system and others in South Australia to merely keep buying equipment every year, so we have to look at some form of partnership in which industry and the public sector can start to get their hands on these new technologies.

So, in the areas of, say, fitting and turning, and tool making, there are patches of shortages of skill, but nothing to be alarmed about. The problem is having the ability to upgrade the existing people to the world standards of new technological levels in those existing areas. In some of the new industries that Arthur D. Little talked about, I suggest we certainly have a need to look at new skills and to try to find a way, in a very restricted budgetary fashion in South Australia, for our people to acquire some of those skills. That is ranging from the new laser technologies, whether in the automotive or medical areas, right through to environmental technicians and how those technicians get trained, because from the environment through to the medical technology industries they are the ones that are the new high technology industries that we are looking for in this State in the future.

Yes, we have a real issue to address. We are even finding it difficult to identify the sorts of skills that are required in some of those new industries, let alone articulate how and where they will get those skills.

**Mr OLSEN:** Is our business migration program, as it relates to skilled labour, which was the reorientation of the National Business Migration Program, not meeting its

objective of bringing in people with the right skills to meet our requirements?

**Mr Cambridge:** In my opinion, no; I do not think it is targeted enough. What we are trying to do is prevent unskilled labour coming into the country, but we are not targeting the particular skills and the skilled labour that we want.

**The Hon. M.D. Rann:** We could perhaps explore this further when the EDA officers join the table.

**Mr OLSEN:** What are the most inhibiting factors to the growth of the manufacturing sector that the South Australian Centre has been able to identify in the past year?

**The Hon. M.D. Rann:** Obviously the manufacturing sector in this State has been confronted by a range of things, including the winding down of the tariff regime which has obviously put it on its mettle at a time when it has also been buffeted by the recession over the past couple of years; hence various submissions that we have made to the Federal Government and to the Federal Opposition prior to the last election. Obviously, one of the reasons we have been designing programs, not just through the manufacturing modernisation but also through export assistance grants aimed particularly at small business and medium sized businesses, is to assist those companies not only on the homefront to be nationally and internationally competitive in terms of world best practice, but also to assist those smaller companies in particular to have access or gain access into new markets. I invite John Cambridge to comment further.

**Mr Cambridge:** There are probably four, if we can categorise them as such. I start with the one I think is most significant, and that is our ability to understand in small to medium enterprises the need for world competitive marketing capabilities. I have to say it is of continuous concern to me and my staff that small to medium size companies cannot afford to have high powered marketing capabilities, yet it is on that that we rest in identifying the needs of the customer and servicing or delighting the customer in terms of supplying services. We have to find a way around that for small to medium size enterprises.

The second is, in many cases because head offices have left South Australia, the calibre of management. That is not to say they are inadequate. If we are talking about world competitive enterprises, we are talking about significant management capabilities. It is not to do with just managing the people inside the enterprises, but to do with their vision and how they go into international markets in a dynamic and speedy manner. We have still not addressed the issue of dynamic, continuously upgraded skilled management.

The third one is one that I think is starting to be overcome, but reluctantly, and that is that the banking and financial sector is very risk averse, for a number of reasons which I will not go into. Access to money for small to medium size enterprises is still very difficult. The bank managers cannot understand that a small manufacturing operation of 14 people may well want to borrow \$300 000 to \$400 000 for a major piece of technology like a horizontal machining centre. We are now playing a role in the MMP program to help the banking sector be a little easier in providing funds, because we are not a lending or funding organisation in that sense. That is a little difficult, but we are coming to grips with that.

Last but not least is the one of critical mass—all these small to medium size enterprises (and we have to consider that approximately 98.6 per cent of South Australia's manufacturing sector is classified small by world standards).

This critical mass issue is very important in terms of developing partnerships and linkages in international target markets.

This is partly overcome by initiatives under the MMP, such as networking and other areas inside the EDA and the EDB, in terms of the investment attraction group. My view is that we have to look more fundamentally at how we get critical mass in certain industry sectors. The only sector which has started to do this particularly well and which is a demonstrator is the wine industry. We must find methods by which we can get around this critical mass issue. It is not a pouring-money-at-the-problem issue; it is literally how we get small to medium size enterprises to behave as if they were a large organisation in the international market place.

**The Hon. M.D. Rann:** I certainly agree with the point about the lack of access to capital. That is a point that is often raised by small business. However, in respect of the marketing front, I totally concur with John Cambridge's views. At a number of stages during the year I have met with Asian business leaders, and I remember one occasion when a leader of the Japanese automobile industry was quite frank with me, and he was not talking about South Australia specifically. He said that he felt that we had the technological expertise and the efficiency and we could produce the right widgets, but sometimes we were let down on the marketing front, and I think that is a point that has been acknowledged by industry. You cannot just be an excellent manufacturer of things—you also have to be an excellent seller of things.

#### **Additional Departmental Advisers:**

Mr M. Krasowski, Financial Controller.

Mr R. Marrett, Chairman and Chief Executive Officer.

Mr W. Cossey, Chief Executive Officer.

Mr P. van der Lee, Deputy Chief Executive.

Ms C. McMahon, General Manager, Organisation and Development.

Mr T. Tysoe, General Manager, Business Climate and Coordination.

Mr D. Mitchell, General Manager, Major Projects and Programs.

**The Hon. M.D. Rann:** In discussing the budget estimates for both the Office of Business and Regional Development and the Economic Development Authority and, given that this is the first full year of operation of the office, it is worthwhile making some opening remarks concerning the activities of its budget before specifically moving on to the Economic Development Authority.

The Office of Business and Regional Development was created in October last year as part of the creation of portfolios by the Premier as the first stage in the public sector reform process. The office's role is purely a coordinating one with organisations in the portfolio having direct relationship with me as the Minister. The office, and in particular its Chief Executive Officer, becomes involved not in a day-to-day sense between CEOs and me but in issues requiring coordination across organisations in the portfolio.

The organisations originally in the portfolio are listed on page 467 of the Program Estimates. As part of the most recent announcements on public sector reform by the Premier, the composition of the portfolio changed. The Department for the Arts and Cultural Heritage and the Department of Mines and Energy were included, and all business units of the State Services Department except State Systems were transferred to the Department of Labour and Administrative Services.

In addition, from 1 July 1993 the Technology Development Corporation, which was previously under my portfolio area, was integrated with the MFP Development Corporation, becoming part of the Premier's portfolio. The Office of Business and Regional Development is an extremely small office consisting of the CEO and a clerical-secretarial support person. Legally, the Business Regulation Review Office is a division of this office, although it prepares a separate annual report which is tabled in this Parliament.

I am aware that in his Estimates Committee the Minister of Public Sector Reform was asked about the business and regional development portfolio having four Ministers. I want to emphasise today that the CEO of the Department of Mines and Energy reports to the Minister of Mines and Energy and not to me. The CEO of the Department for the Arts and Cultural Heritage reports to the Minister for the Arts and Cultural Heritage and not to me. The Chair of the Economic Development Board reports to the Premier; and all other CEOs in the portfolio including the CEO of the Economic Development Authority, who is also the chair of the EDB, report to me.

Coordination occurs between organisations at the CEO level, and obviously between Ministers at Cabinet. From 1 July, with the creation of the South Australian Tourism Commission, the planning, research and development functions of the former Tourism South Australia formed an office of Tourism Industry Development, a division of the Office of Business and Regional Development. So, the marketing remains under the commission. The same situation applies with State Systems, which is now operating as a division of the Office of Business and Regional Development and not as a division of State Services. However, I will be introducing legislation to the Parliament shortly to convert State Systems as the basis for a new statutory corporation, which will then have to administer the telecommunications and IT needs of the State.

In October last year, when I was assigned responsibility for the Information Utility, some funds for the IU project which had previously been appropriated to the Department of the Premier and Cabinet were transferred to my ministry, and they appear in the 1993-94 Estimates of Payments on pages 167 and 168 against program 1 'coordination of business and regional development'. Hence there were questions in the Premier's Committee from the Leader of the Opposition about why those payments were underspent in his portfolio. The answer is: because they were swapped across to Business and Regional Development. Of the \$1.68 million expenditure in 1992-93 against the office's program 'coordination of business and regional development', \$187 000 was for the Office of Business and Regional Development, \$190 000 was for the Business Regulation Review Office and the remainder of the \$1.68 million was for the Information Utility project.

Although the Office of Business and Regional Development expenditure shows as \$597 000 over-budget—and that was the point raised in the Premier's Estimates Committee—it is entirely attributable to the recording of costs associated with the Information Utility, and it is more than compensated for by the underspending against the Premier and Cabinet Information Utility allocation for 1992-93. I understand that agreement has been reached with Committee members to examine the IU as part of this evening's session with State Systems. However, I believe it would assist the Committee to clarify in these opening remarks the situation in respect of

the estimates of the Office of Business and Regional Development.

I now move to the EDA. The Arnold Government has deliberately focused on the State's economic development, and key steps have been taken by the Government to facilitate this growth. The EDA has been a key area of the Government in implementing these steps. Over a two year period we have committed \$40 million and made available another \$40 million aimed at stimulating a broad range of industrial growth. These funds have been committed in a highly targeted approach. The Economic Development Board was appointed in February this year. The Economic Development Authority is preparing the State's first economic development plan, which will shortly be released for a period of public consultation.

In May, the Premier outlined a series of positive stimulants to the South Australian economy in the economic development statement Meeting the Challenge, including enterprise zones and assistance to new exporters. The auto industry is looking better in terms of quality, exports and employment growth. Our Government has been strategic in building a good focused relationship with Mitsubishi South Australia, General Motors Automotive and a range of component suppliers now recognised as achieving world standard quality. Indeed, the increase in exports in the past year alone has been absolutely phenomenal in the automotive area. The Government has moved decisively to pursue business opportunities in Indonesia by appointing a commercial representative in Jakarta.

From April 1993 regional development boards and boards prepared to act as a shop front for other Government agencies from 1 July this year received an increase in funding worth up to \$1.1 million per annum. Other major program spending is as follows:

- Work on the strategic transport initiatives is proceeding with assistance to the Outer Harbor Container Terminal being a major recipient in the past financial year with a \$3 million allocation. In addition, the Government has committed \$10 million for the upgrading of Adelaide Airport.
- Over \$10 million has been committed for tourism infrastructure to support major projects. That comes from last year's allocation and this year's allocation of \$5 million. Several initiatives have already been announced, including the launch of the eco-tourism project and a number of things that we mentioned this morning.
- The wine industry is in receipt of a \$1.5 million grant to underwrite the wine industry's export marketing thrust. Over 50 per cent of an \$11 million exploration initiative to find new mineral and energy resources in Outback South Australia has now been utilised, with some extremely exciting prospects.

That also comes from within that \$40 million pool. However, the challenge still lies ahead. Through the Economic Development Board the community will be invited to collaborate to find new sustainable methods to develop the economy. Many are already doing these things: companies such as Protech, Mitsubishi, the Arrowcrest group, Nexus, the Submarine Corporation, PPK Consultants, EIT Pty Ltd, Faulding's, CAMMS, WMC (Olympic Dam), Penrice Soda Products, Orlando Wyndham and Springs Smoked Salmon, to name a few. Exports increased by 9.3 per cent in dollar terms in 1992-93, with the Centre for Manufacturing providing the catalyst. The performance of the automotive industry, in particular, was outstanding with the value of exports increasing from \$137 million in 1991-92 to

\$338 million in 1992-93. The wine industry continued to flourish with continued export growth of 16 per cent.

The retail sector has shown signs of gradual improvement in 1993, with a slight improvement in consumer confidence appearing to be an important factor. Events such as the launching of the first Collins class submarine have had a positive impact on community perceptions in South Australia and are believed to be having an impact on consumer spending patterns. Company profits appear to have improved significantly in 1992-93 (for example, Faulding's and Santos), which increases the potential for new investment activity in the short to medium term. This investment will be crucial to helping to sustain high levels of economic growth over the longer term. With that introduction I am happy to assist the Committee with its examination of the estimates of both the Office of Business and Regional Development and the Economic Development Authority.

**Mr OLSEN:** In his statement, the Minister identified an increase in company profits having been reported at the end of last financial year. In a number of instances, it is correct that there has been an increase in profits, but in other instances the increase in profits has not been as expected. I make the point, as have most commentators around the country, that the increase in profits of these companies has come not so much from increased sales, broadening horizons and getting more but through cutting back expenditure, the cost side of budgets with the curtailment of job opportunities and consumer spending in the business community.

Profits are up, but I do not think that gives a true reflection of the state of the economy of those business enterprises. One could draw the conclusion that, because profits are up, we are picking up off the bottom, so to speak. I do not believe that is the case, and most commentators are identifying the fact that it is the slashing of expenditure that has brought about a profit increase in the short term.

An amount of \$40 million has been allocated to the economic development program, of which at the end of last year \$22 million was unspent, and a further \$30 million has been allocated this year, with \$10 million being allocated in the following financial year. In the advice that the Minister gave to the Committee earlier today in relation to the tourism portfolio, he nominated a number of areas where allocations would be made with reference to the fact that they would be covered in the economic development program. Will the Minister supply the Committee with a list of grants and programs to be taken up? That is, if \$22 million is unspent and pending allocation to a program, will the Minister supply the Committee with a full list of the programs and allocations that will take place out of that \$40 million from last year and the \$30 million for this year?

**The Hon. M.D. Rann:** I am happy to do that. There are different categories: for instance, there is \$500 000 for the wine centre and funding for the Arid Zones Botanic Park. Money must also be set aside for projects that are currently being negotiated. For instance, I have just advised the Birdwood Motor Museum that \$1 million will be made available to it as a kind of challenge grant to secure a major redevelopment of that museum. It has been advised that \$1 million is available through the tourism infrastructure fund, because—and I am not quite sure of the figures—about 50 per cent of its visitors come from interstate. So, it is a substantial tourist draw card of international class, but it needs upgraded facilities. On that list the honourable member will find things such as the \$2.2 million that has been allocated to the Barossa project and specific funding for other

projects as well as specific amounts that have been committed, spent or projected. I invite Robin Marrett to comment further.

**Mr Marrett:** I think it would be better if Mr Frogley went through this, because he has the details of the question that was raised by Mr Olsen.

**Mr Frogley:** In terms of commitments carried forward from 1992-93 into 1993-94, I will provide a list by program area. I caution the Committee that these commitments are yet to be paid from the economic development program to the South Australian Centre for Manufacturing program. The commitments which the centre may have for money it has already received are a different matter. At 30 June a further \$1.3 million in commitments were to be advanced under the manufacturing modernisation program. Under the Mines and Energy exploration program, \$5.3 million in commitments were carried forward. Under tourism infrastructure, there were some \$10.7 million in commitments against a range of projects: for instance, commitments have been carried forward for the Wilpena infrastructure, the Barossa Valley Country Club, the Birdwood Mill, the Clare Country Club, the Main Street program, Business Asia, some Tourism SA Grand Prix joint marketing, the eco-tourism project, and an amount has been set aside for events bidding effort.

Some funds have been set aside for Tourism SA marketing, the Granite Island upgrade and the Arid Lands Botanic Park at Port Augusta. Under the automotive program, \$2.7 million in commitments have been carried forward. No commitments have been carried forward under the TCF program. Under the infrastructure program, \$5.3 million in commitments have been carried forward; under the transport hub program, \$460 000; and a further \$1.5 million is listed under 'miscellaneous and other projects and programs'.

**The Hon. M.D. Rann:** An amount of \$1 million has been set aside for events bidding. We bid for a number of things and we must be able to sustain those bids in terms of underwriting and other things. In terms of TSA marketing—and I referred to this earlier—\$2 million has been set aside specifically for three identifiable projects: the US; UK-Europe—\$1 million in itself; and New Zealand, because we would like to see more New Zealanders coming here, with some of them even staying.

**Mr OLSEN:** Will the Minister supply the Committee with the figures relating to the range of projects referred to by Mr Frogley (he mentioned a range of them and gave some examples) and the allocations for each program?

**The Hon. M.D. Rann:** I will do that.

**Mr OLSEN:** Will the Government supply a list by industry sector of those companies assisted by the South Australian Housing Trust and the South Australian Development Fund between July 1988 and June 1993? Whilst I would not expect that to be tabled today, it could be incorporated in the record in due course.

**The Hon. M.D. Rann:** There are some companies which receive assistance and which ask us for confidentiality. However, by industry sector we are very happy to do that, because that is proper and appropriate. Indeed, it is in the annual report. I should say that, if the honourable member wants a briefing on specific companies on a confidential basis, I am personally prepared to brief him. However, I want to stress that it would be inappropriate to list publicly all the companies by name.

**Mr OLSEN:** I did not ask for the companies: I said 'by industry sector of those companies'. I am certainly not seeking any individual company information in relation to

that. For example, with regard to four industry sectors, namely, TCF, computing, motor vehicle parts and the white goods industry, what assistance has been provided through SAHT and the South Australian Development Fund schemes by way of location and production subsidies, rental assistance, and loans?

**The Hon. M.D. Rann:** We will take that on notice. In terms of the EPD—the TPF was not mentioned when Mr Frogley read out the details—\$1 million is the TCF subtotal, and in terms of auto it is \$5 million; that is the budgeted amount. In auto, so far, \$2.657 million has been allocated.

**The CHAIRMAN:** The member for Stuart, not being a member of the Committee, is granted leave to ask a question.

**Mrs HUTCHISON:** I refer to the Program Estimates (page 478). I have discussed this subject exhaustively with the Minister. A lot of work has been done on the enterprise zone program in the Port Augusta area. Given the mineral surveys that have been undertaken—and resource development obviously figures greatly in that—is the South Australian Government considering an expansion in the number of enterprise zones?

**The Hon. M.D. Rann:** It is certainly true that we have had exhaustive talks. In fact, the member for Stuart summoned me to Port Augusta and we have had various discussions in this Parliament late at night. Earlier this year, the State Government announced Australia's first enterprise zones, giving exemptions from all State taxes, together with a range of special incentives for new job creating industries. The first tax-free zones were designated for the MFP sites, including Technology Park (in Salisbury) Science Park (close to Flinders University), of course the Gillman site and the Whyalla resource development estate on the Port Bonython Peninsula. The enterprise zones are based on highly successful US and UK regional development initiatives designed to attract investment, industrial expansion and jobs. I was able to talk with people from the United States and also a British Cabinet Minister and some British Opposition members who were in this House (in fact, almost exactly a year ago) about the rolling plan of enterprise zones that Baroness Thatcher, formally Prime Minister Thatcher, introduced in Britain from 1981.

The South Australian zones came into force as of 1 July and provide 10 year exemptions from payroll and land taxes, financial institutions duty, the bank accounts debit tax and stamp duties. Land in the Whyalla zone will be provided at no cost to approved investors, and a range of cash incentives and feasibility study grants are available. Potential investors are able to negotiate a case-by-case package in addition to the general tax waiver. The MFP Australia enterprise zone is designed to attract new or expanding investment in the three core activities of education, environment and information technology. The guidelines for eligibility of the Whyalla enterprise zone are as follows: projects must be new to South Australia and not simply a relocation to the zones (so, we not talking about a garage moving up the road or something like that); there must be a minimum investment of \$5 million; projects must involve substantial value adding in the processing of minerals or petroleum related raw materials; and not less than 50 per cent of production should be designated for export markets, except in exceptional circumstances.

Guidelines for eligibility of the MFP Australia enterprise zone are as for the Whyalla zone except that they would also apply to major expansions of established industries already in operation at Technology Park and Science Park. We are not dudding people who are already there: we are talking

about value adding in terms of expanding, and we are obviously prepared to offer enterprise zone arrangements. Indeed, I can reveal to this Committee that enterprise zone status is absolutely crucial in our negotiations over the Orion project. Also, we are currently having talks with a significant electronics manufacturer about significant relocation to South Australia, and that would involve enterprise zone arrangements.

Of course, there has been enormous interest from various regions around our State wanting to establish new zones. I note that the shadow Minister, the member for Kavel, was quoted in the *Border Watch* (and I think we all recognise that the *Border Watch* is an accurate journal of record) as saying that taxes and charges holidays should not be confined to Whyalla and the MFP. The member for Goyder, John Meier, moved in Parliament a motion that the State Labor Government extend its enterprise zones. He was recorded in the *Balaclava Producer* (which, along with the *Times* of London and the *Washington Post* is one of my favourite newspapers) as saying that, through an extension of enterprise zones, the Government can show a lead.

I am aware, however, that the enterprise zones have been attacked by the Leader of the Opposition, who said that they are superficial and will do little for the unemployed in Port Augusta, Port Pirie, Mount Gambier, the Riverland and other regional centres. The proposed tax benefits for new business have no credibility whatsoever, according to his quoted remarks on enterprise zones in the *South Australian Recorder* of 4 May 1993—or so I have been advised.

However, my message to all those people wanting enterprise zones—to be quite straightforward—is that this is an Australian first. Everyone knows that Jeff Kennett is currently looking at enterprise zones for Victoria. Indeed, Steve Howard, from the committee for Melbourne, was talking to me recently about enterprise zones. Our first zones are pilot initiatives. However, if a region believes an enterprise zone will help generate jobs, it should develop a detailed proposal for first me and then for State Cabinet to consider. The member for Stuart is working with business, council and union leaders in Port Augusta to develop an enterprise zone bid for Port Augusta. I have already met with the Port Augusta committee and was very impressed with its draft proposals. I am looking forward to receiving a detailed submission about enterprise zones.

We are not talking about just drawing a line around an area and saying, 'This is going to be an enterprise zone.' They have to be thematic, specific, targeted and value added. The Port Pirie Regional Development Board is also working on plans for a zone and I have already had talks with the Mayor of Port Pirie, with Ken Maddigan (the head of the Regional Development Board in Port Pirie) and his team, also with the former Deputy Mayor of Port Pirie, Allan Aughey, who is a very keen proponent of enterprise zones and, in an interesting coincidence, is also the Labor Party candidate for the area.

The Federal Government's regional development task force, chaired by ACTU Secretary Bill Kelty, will be briefed on enterprise zones when it visits South Australia next month. I can announce that Bill has written to me saying he is coming to see us in Adelaide. He has sent his deputy over to talk to me about enterprise zones, where I am asking for Commonwealth tax relief for designated national zones, council rate relief, State Government tax relief for 10 years and special incentives, and it would be great to see some Commonwealth tax incentives as well. I have spoken to

Steven Howard, his deputy, about that and we will be giving a full submission when Bill Kelty's team comes to South Australia.

We would like the Commonwealth to join the State Government and local government in providing tax exemptions for enterprise zones to kick start job growth in designated regions. I am delighted to hear that Jeff Kennett is considering following South Australia's lead in establishing enterprise zones.

We have talked about Port Pirie and Port Augusta. If John Meier and the former Leader of the Opposition want to develop specific programs for their areas, I welcome their support; I welcome the fact that, although there is obviously disagreement in the Opposition, they are prepared to support enterprise zone extensions and other areas. But it does not just come as a free kick or a gift; it does not just fall off the back of a truck, but it requires hard work and a detailed plan. I am certainly delighted to receive the cards and letters from regions wanting to have enterprise zones, but I met yesterday with the South Australian regional development boards at a meeting at the Centre for Manufacturing and I told them what I am telling this Estimates Committee: it is important that they, rather than sending notes asking, 'What about me?' or 'Why them and not me?', actually do some hard work, some hard yakka, and work up a program. We are certainly very interested in looking at an extension of enterprise zones in South Australia.

**Mrs HUTCHISON:** I can assure the Minister that the submission is well on the way and I will ensure that it gets to him very quickly. We have also had discussions with Bill Kelty, so he is well aware of our plan for an enterprise zone.

**Mr HAMILTON:** My question relates to the defence industry, first, to the submarine contract. Can the Minister assure the Committee that the benefits of the submarine contract to South Australia are as significant as we are led to believe, and will the launching of a sixth submarine mean the end of the Australian Submarine Corporation? Secondly, can the Minister advise the level of work that has come to South Australia from the Anzac ship project?

**The Hon. M.D. Rann:** The ownership of the Australian Submarine Corporation now comprises Kockums Pacific (50 per cent), the Australian Industry Development Corporation (47.5 per cent) and James Hardie Industries Limited (2.5 per cent). The first submarine, HMAS Collins, was launched on time and on budget on 28 August. The fabrication of hull sections for the fourth boat, to be wholly made in South Australia, has now begun. Several South Australian firms, including British Aerospace Australia in Salisbury, AWA Defence Industries also in Salisbury, Perry Engineering, CBI Constructors, Hill Equipment and Refrigeration, APV Baker Refrigeration, Pope Electric Motors and Nilsen Electric have won subcontracts.

Major subcontractors, Strahan and Henshaw (weapons discharge system), SAAB (integrated ships control, management and monitoring system) and Pacific Marine Batteries have either established facilities or project offices in Adelaide. Strahan and Henshaw are currently investigating commercial opportunities within the State. AWADI has constructed a new facility at Technology Park to manufacture periscopes. ASC is now targeting export market opportunities in Canada and South-East Asia as part of a strategic business development growth plan, and this has received strong support from the Department of Defence.

The ASC has positioned itself to become a major international marine and heavy engineering force through the

recent acquisition of Carrington Slipway and T. O'Connor & Sons. These acquisitions will give the ASC a greater capability to bid for a wide range of marine work and should ensure that it continues as a major South Australian employer after completion of the submarine project by broadening ASC's capability beyond just defence work.

ASC has been selected as one of the three contractors to bid for the Royal Australian Navy's Minehunter project valued at approximately \$1 billion. Although the construction of the vessel would be conducted in New South Wales, there are substantial opportunities for systems design and development work to be carried out in South Australia.

The Australian Submarine Corporation is currently in the marketplace, bidding for projects in South-East Asia. Indeed, I am aware that there is currently a team in Indonesia, because I have actually given a letter of support to the Indonesian Government in that process, and I can assure members that the Australian Submarine Corporation has a very healthy future.

**Mr HAMILTON:** What about the frigate project?

**The Hon. M.D. Rann:** I am pleased that the honourable member raised that issue, because tomorrow I will be at CelciusTech which is based in Salisbury and which has a great deal of work flowing on from the Anzac ship project. I can reveal for the first time in this House that as a backbencher I got a little bit involved in the Anzac ship project and was sent to New Zealand by the former Premier not to see my relatives (I was there for two days, but I was in a different city) but to see my friends, because at the time the New Zealand Government was critically important in the decision as to where the ship project was based. I was asked to arrange for a member of the DITT staff to get in to see six key Ministers of the Government of New Zealand and to lobby them in their joint decision with the Australian Government to support the AMECON bid, which meant the ships being built in Melbourne but the smart end of the frigate being built in South Australia.

So I was delighted to go to Williamstown and be briefed: I was delighted to be able to assist the State in that way. The major defence project is proceeding on target, with the detailed design work well advanced and a number of first tier subcontracts now let by AMECON. These contracts are mainly with overseas equipment and systems vendors and they in turn will provide opportunities for Australian and South Australian companies to bid for subcontract work.

CelciusTech, based at Technology Park and known formerly as NobelTech, won the single largest subcontract that AMECON will place worth more than \$370 million for the supply of command and control systems, fire control systems, target indication, radar and combat systems integration services. I will be up there tomorrow with the Federal Minister. Someone told me that I was going to be participating in war games, but I am not sure that is actually the case. CelciusTech will subcontract system design and integration work to CSA (Australia), which is also based in Salisbury, and the manufacture and assembly of hardware to AWA Defence Industries, also based in Salisbury.

Johns Perry has won significant engineering work and we are optimistic that the engineering and fabrication work will be undertaken in South Australia, but this is subject to a competitive tendering process, which is proceeding. British Aerospace Australia has won the subcontract from Thorn EMI—both Salisbury based—to supply electronic support measures and equipment for the frigate and from Thomson



CFS to provide the Spherion sonar, although I do not want to get into the detail of how that sonar actually works.

AMECON is now issuing pre-qualification requests for the supply of lower technology equipment, and the Economic Development Authority is working with the Industrial Supplies Office to maximise local industry participation in this work. As there is a requirement on AMECON to place in excess of \$500 million worth of work in New Zealand, the EDA has encouraged teaming arrangements between local firms and New Zealand industry to enhance their ability to win orders and also to benefit our local industry, both in Salisbury and elsewhere.

**Mr HAMILTON:** What is happening in terms of the refurbishment of the Orions, and are there any attempts to establish a space industry here in South Australia? If so, what progress, if any, has been made in that area?

**The Hon. M.D. Rann:** The honourable member is absolutely right about the Orion project. This project is worth between \$500 million and \$750 million and involves the upgrading of most of the major systems on the Orion aircraft with a view to extending their operational life and improving their availability. The 18 aircraft are currently operated from the RAAF base at Edinburgh. It is therefore vitally important that we endeavour to ensure that the lion's share of the upgrading occurs in South Australia.

There could be significant benefits to the State's high technology defence industries in the areas of system development, integration and test, bringing together skills in electronics, software and sensor technology. In addition, there could be valuable flow-on work for lower tiered subcontractors in mechanical and electronic manufacturing.

I should point out that the project is at the request for tender stage, with five companies having submitted or intending to submit tenders by the closing date of 15 September, and obviously that date has now passed. Boeing is the prime tenderer, along with Lockheed, Martin Marietta, E-Systems and Rockwell. Members would be aware that Martin Marietta has recently acquired General Electric. Through the EDA, the State is actively pursuing the prime contractors with the view of maximising the South Australian content of these bids by attracting to this State work which would most likely normally be done overseas. We have shown with the submarine contract that we can undertake such projects here in Adelaide on time and on budget with our technological expertise and industrial relations excellence.

I met with the Premier and representatives of Martin Marietta and its partner, Qantas, last week to discuss South Australia's bid. That is why enterprise zone status is vitally important, because we are talking about a facility that would be located at Tech Park and at Edinburgh.

The IDC and I have approved an assistance package to facilitate the location of the prime contractors to South Australia should they be successful in their bid. I am chairing a task force to pursue maximum South Australian industry involvement in the project. We are obviously involved in an extensive lobbying campaign directed at the tenderers and the Federal Government and working with the potential prime contractors, subcontractors and equipment suppliers to identify opportunities to undertake work in South Australia. We have also been negotiating with potential contractors about any incentives that may be necessary to enable activities to be undertaken in South Australia.

The honourable member's question was double edged in that he also mentioned the space industry. I try to keep my

feet firmly on the ground, but I think people would be aware of my interest in both defence and aerospace issues. Considerable work has been undertaken to develop opportunities in space-based technologies, particularly centring around the emerging small satellite market, building on the potential of the Woomera rocket range to act as a commercial launch site, and the existing industry and research capability in South Australia.

In attempting to revitalise Woomera as a commercial launch site, an Australian consortium comprising British Aerospace Australia, Hawker deHavilland and AUSPACE are proposing to develop Woomera as a commercial site for the launching of LightSats into orbit using a small launch vehicle. A feasibility study has been carried out by this consortium based on developing a launch vehicle utilising proven solid fuel rocket technology. The feasibility study has concluded that, whilst the concept is technically feasible, the viability of the proposal needs further development. Accordingly, the consortium, with support from the EDA and the Australian Space Office, is evaluating the potential to source low-cost rocket options from overseas suppliers, which would include looking at the option of Russia and the Ukraine.

Woomera also has the potential to be a recovery site for re-entry capsules. Discussions are under way for the German, Japanese, Russian space capsule *Express* to land in the Woomera area in August 1994. It would be nice if we could be there to greet it. This is a major international project, which will provide the technology for low-cost experimentation in space and allow recovery of the experiment.

We are also looking to support the development of key competencies in small satellite design and manufacture. The French are seeking international partners for a low earth orbit system called STARSYS. The Australian and French Governments, under the French/Australian Industrial Research Program, have agreed to cooperate in the area of research into small satellites. This will involve the participation in this program of scientists at the Signal Processing Research Institute, and it is aimed at building South Australian capability in this emerging technology.

Another opportunity which is now under development and about which I had talks in Washington is the potential participation of South Australia in a commercial remote sensing system based on the commercialisation of defence spy satellite technology. A working group has been established, chaired by Mr John Douglas of the EDA, to assess the commercial feasibility of Australian participation in a venture with Lockheed. In Washington I met with senior executives of Lockheed. Basically the proposal is to provide high resolution imaging data from this new generation remote sensing satellite. We are proposing that the Australian business would be headquartered in Adelaide as part of a national space information facility. The project is still at the early feasibility stage; we are working very closely with the Commonwealth through Minister Chris Schacht.

In terms of imaging by satellite, we are talking about the capability from outer space to pick up images to one metre definition or resolution. If we were holding this meeting outside, I might not be in danger of having my notes being read from outer space, but certainly the people sitting at the table could be identified. This is an extraordinary technology. It comes out of the defence industry but, of course, with the changes in cold war arrangements we are seeing different approaches. A week before I was in Washington an approach was made to the Defence and Intelligence Committee of the

Senate to approve the commercialisation of this technology worldwide. I understand that Russia is doing the same.

Space is an exciting area, with a number of South Australian companies having significant capability in certain areas of space business. The Government will continue to work with industry and the Federal Government to capitalise on the skills and opportunities that will emerge over the rest of the decade.

**Mr OLSEN:** How many applications has the Government received for assistance to establish in enterprise zones?

**The Hon. M.D. Rann:** Do you mean from different regions wanting enterprise zones?

**Mr OLSEN:** No, from applicants wanting to access the funds to establish within the zones.

**The Hon. M.D. Rann:** Mr Kennan of the MFP mentioned several the other day in his Estimates Committee hearing. I am certainly aware of discussions on the Orion project where companies are very specifically mentioning the enterprise zone in terms of the 10 year tax exemption. As I mentioned before, we are currently negotiating with a major electronics firm—indeed, several major electronics firms—with regard to enterprise zone status. Some companies that are having discussions about relocation are saying, ‘Okay, we might not be moving to Salisbury, but can special packages be developed which would give enterprise zone status to help lure or leverage our relocation?’ That is something we have on the table. That has always been the case.

**Mr OLSEN:** So, the enterprise zone boundaries are only notional. If I wanted to establish in South Australia a major facility; I was expending more than \$5 million in that plant and facility; I was going to employ people, but I wanted to locate it other than in the two enterprise zones: from what the Minister has just said, I take it that a package similar to the enterprise zone would be put together?

**The Hon. M.D. Rann:** No, I did not say that at all. Any \$5 million plant just cannot move into Technology Park and any \$5 million plant just cannot move into Whyalla. They are not notional. That is why you want one for your area and John Meier wants one for his area. The fact is that we are talking about specified and targeted value added industries. What I did say was that other companies are saying, ‘We might be interested in this as well.’ We are saying that we are prepared to discuss, but it is quite different from having a designated zone.

The designated zones include the Technology Park, Science Park and MFP sites. As the Premier pointed out the other day, the MFP can have sites that are not necessarily in those three zones. If they are designated by the MFP as an MFP site, we are prepared to offer enterprise zone attractions. Whether it was reported in the Balaklava paper or the *Border Watch*, in the South-East, I would have thought that the honourable member would like to see it benefit other areas of the State and would applaud that fact.

**Mr OLSEN:** We do. Let me state exactly what our position is. We believe South Australia ought to be an enterprise zone. With certain criteria met by companies coming into South Australia, they ought to have the support and it ought not to be restricted to two locations in South Australia. The member for Stuart, if she waits but a couple of months, will be in the position of being able to have Port Augusta designated an enterprise zone because it will be within the boundaries of South Australia. If there is a company wanting to establish there, with a minimum number of employees and with certain criteria established, it will get support.

I certainly do not support, for example, as the Minister said, a garage shifting from one street across a boundary and then qualifying: that is not what we are on about. I also point out that the Minister referred to Jeff Kennett in Victoria who was looking at enterprise zones. If he looks at the industry package made available by the Victorian Government currently, he will see that it identifies that Victoria is an enterprise zone, and Jeff Kennett has said as much—that there are not specific locations within Victoria: it is the whole State, and the criteria contained in the industry package in Victoria nominate that and pick up many of the benefits that the Minister is nominating in the two specific areas within South Australia.

**The Hon. M.D. Rann:** I understand that Mr Kennett is looking at enterprise zone status for Tullamarine Airport. If the honourable member is saying that, if in the unlikely event that he becomes the Minister, basically there will be no payroll tax around the whole State, no stamp duties, no FID, well, all I can say is, I will believe it when I see it.

**The CHAIRMAN:** Can I just assist the member for Kavel and the Minister. The member for Kavel just made a reasonably long statement. I was not prepared to pull him up because in effect the Minister invited him to make the statement. In response to that, the Minister makes a further statement. I am sure that both members are clever enough to be able to say what they want to say within the general spirit of the Standing Orders. So, the member for Kavel is perfectly in order in explaining his question in some detail, but I would ask him that he proceed in that direction, and I also ask that the Minister assist me, as the Chair of the Committee, by couching his answers in such a way as will give some incentive for members to continue to ask questions, rather than make statements.

**Mr OLSEN:** Thank you for your guidance to the Committee. You would well understand and appreciate that, if your words had been totally misinterpreted, misrepresented, and put back on the record, members of the Committee would want to correct that perception conveyed, in this instance, by the Minister. I will take your advice and leave it for another day. I certainly did not mention across the State payroll tax; it was designated criteria applying to specific industry location. Similar to that, in many instances, the Minister nominates to his two enterprise zones. Subsequent to the question about the Orion project, who are the members of the task force to which the Minister referred? I note that tenders closed on 15 September: when is it anticipated there will be an announcement as to the awarding of that contract?

**The Hon. M.D. Rann:** The task force includes David Mitchell from the Economic Development Authority, Graham Sutton from the Industrial Supplies Office, and other officers. It cannot, by its nature at this stage, include people from the private sector, because most of the material is commercial and in confidence in terms of what the tenderers are prepared to put on the table. However, we are aware that the private sector is very keen for this project to come to South Australia, just as the Chamber of Commerce supported our bid for the submarine project.

The task force met under my chairmanship last week for the first time. There are various stages through the next year in terms of preferred tenderers being identified by the Federal Government. I would imagine, and I stand to be corrected because the Federal Government changed its mind on procedures for the submarine project along the way, that the preferred major tenderers would be identified by about March next year and an announcement made in terms of who got the

job and where it will be located probably in September next year.

**Mr OLSEN:** With respect to the Minister's opening statement concerning staffing arrangements and the structure of his new office and the EDA, I understand that an Office of Citizens Charter has been established within the Government Management Office, with Helen Walker appointed as the CEO. Each agency will be required to have a senior public servant as a project coordinator attached to the Office of Citizens Charter. Has such an officer been appointed, and at what cost?

**The Hon. M.D. Rann:** I will have to take that question on notice.

**Mr HERON:** I refer to page 478 of the Program Estimates: what action has the Government taken to reduce the impact of the reduction on tariffs and other protection measures on the automotive industry?

**The Hon. M.D. Rann:** That is a question very dear to my own heart. Members would be aware of statements that I made at the launch of the automotive program, the manufacturing modernisation program, last December which caused a significant barney between myself and the Federal Government and between myself and the Federal Opposition. Under the current car plan which began in 1991, passenger motor vehicle tariffs are scheduled to fall 2.5 percentage points per year to reach 15 per cent in the year 2 000. The pace of tariff reduction runs the risk of discouraging the continued foreign investment necessary for the industry's survival and of causing a contraction on the size of the industry below the critical mass required for long-term viability.

During the Industry Commission inquiry in 1990 the South Australian Government argued for a 25 per cent tariff—a 25 per cent tariff; not the zero tariff that was supported by John Hewson—by the year 2000. We believe 25 per cent was consistent with the rate of tariff reduction sought by the industry. The Government put the view that more rapid phasing of tariffs was inappropriate in view of the depressed domestic market, the slow pace of some aspects of micro-economic reform and high import barriers imposed by other countries. Our point was that, as much as reducing tariffs is generally desirable, you cannot have an absolutely rapid reduction in tariffs if you are also being buffeted by the recession.

We felt that our manufacturing industries, particularly in the automotive area, were being hit two ways. They were performing spectacularly in many cases but were being put under undue and unfair stress. There is absolutely no point in a one-way free trade because it is self defeating. It is all very well going to bed at night saying you are a purist and that you are ideologically pure on the issue of protection, but I asked my officers to get me a list of the tariff and quota barriers being imposed by a number of other countries—and we had John Hewson saying the tariff had to be zero; the Federal Government talking about going down to 15 per cent; and we were arguing for 25 per cent—and those tariff barriers put up by our competitors were 100 per cent and 60 per cent.

In my view, one-way free trade was a suicide note, and I made that position very clear. Projections by the Industry Commission indicate that a fall in the tariff to 15 per cent will result in a contraction in Australian industry of between 20 per cent and 40 per cent. Industry sources have advised that, unless the local industry is able to achieve rapid gains and competitiveness, the contraction could be even greater. In response to the changes to the car plan announced on 12 March 1991, the State Government established a tripartite

task force to identify obstacles and to reform and develop strategies to improve the international competitiveness of the car industry. The task force has addressed a number of issues, including the effects of taxes and charges on competitiveness, the effect of tariffs on competitiveness and the need for improved transport infrastructure. It provides a valuable forum for discussing alternative development strategies for the industry.

A program to project a profile of the industry in the year 2000 was initiated in December 1992 (which is something that MITI does in Japan) to look at where we want to be, where we are likely to be and what we need to get where we want to be by the year 2000. Automotive companies were identified by the Arthur D. Little report as having significant potential for competitive development as a result of a \$5 million program of support measures for the automotive industry that was introduced in 1992 by the State Government.

**Mr HERON:** Does the recent speculation about the expansion of Mitsubishi and General Motors-Holden's have any sound foundation?

**The Hon. M.D. Rann:** I certainly hope so. General Motors has been very careful about what it says publicly, and quite rightly so. There has been a great deal of front page speculation. Mitsubishi is in the process of making investment decisions on the next model Magna Verada and associated revisions to the engine manufacturing facility at Lonsdale. The total investment being considered is around \$400 million. The Premier took the opportunity on his recent Japanese trip to meet with senior Mitsubishi Corporation executives to further strengthen the relationship with South Australia. The final decision will be made before the end of the year, and the Government is working closely with local Mitsubishi management to put forward the best case for a positive outcome. We are certainly looking forward to a positive decision.

Claims have been made that General Motors is about to secure an export contract for 20 000 to 30 000 Commodores per year, which would boost employment in the northern suburbs by 1 000 jobs. General Motors has not made an official press release, and the report is based on media speculation as well as industry speculation. Any plans being discussed now are not likely to affect operations until after 1995. It is true that a top level delegation from General Motors, Detroit came to Adelaide quite recently to visit the site, and they were most impressed. They also met with the Premier. General Motors' current capacity at Elizabeth is over 100 000 units per annum and, with a likely local demand of around 60 000 to 70 000 units per annum, free capacity of the order of 30 000 units is available. The export of vehicles from General Motors to markets within the corporate global family will be consistent with the stated strategies of both Mitsubishi and Toyota.

General Motors' employment level has varied from around 5 000 in 1988 when Commodore production was consolidated in South Australia down to 4 000 in the early stages of the recession, and it is currently back at around 5 000 employees. The paint shop will be fully operational on all paint colours by mid-1994, and the paint shop upgrades are likely to result in greater employment. General Motors' current vehicle exports are limited to the traditional local markets of New Zealand and Fiji with a volume of less than 5 000 units per annum. To be competitive in the long term General Motors needs to achieve full utilisation of capacity, and that will require substantially greater exports.

**Mr HERON:** Can the Minister explain the work of the Centre for Research in Automotive Management?

**The Hon. M.D. Rann:** The Centre for Research in Automotive Management is the idea of both the local industry and the automotive task force. A considerable amount of work has been done in this area in terms of developing what is known as CRAM in the industry, and I met with MIT in the United States in Boston recently to discuss its involvement. MIT is the world leader in automotive management research issues, and it is certainly true that we would like to have it on board in an ongoing relationship. For some time the EDA has been leading work towards the establishment of a new educational research facility for the automotive industry. The project has been managed by a steering committee comprising EDA staff, representatives from the University of South Australia, DEET, the Centre for Manufacturing, Mitsubishi, General Motors and the Federation of Automotive Parts Manufacturers.

The Institute of Automotive Manufacturing was renamed the Centre for Research in Automotive Management because management issues were keenly focused in terms of the needs of the industries. The aim of the proposed centre is to facilitate moves towards international best practice in manufacturing techniques, work methods and management practices in the automotive industry. The centre is to develop and sustain a research and education capability as a key resource for the Australian industry and will provide an institutional framework for obtaining leading-edge knowledge and applying it to the further development of the industry. CRAM will be established as a research and education centre at the University of South Australia under the sponsorship of the Elton Mayo School of Management and the Graduate School of Management. One of the centre's main functions will be to establish and maintain an applied research program on international best practice in automotive management and its application to Australian industry.

The centre will have a staff of six, who will be supported by other academic staff from the university, DEET and Techsearch, of which I used to be a board member. CRAM will be advised on priorities for its research and education programs by a tripartite advisory committee. It is planned that the centre will be financially self-supporting after three years. An amount of \$400 000, to be spent over three years, has been allocated to the project from the automotive subprogram of the \$40 million economic development program.

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

**Mr OLSEN:** I refer to another aspect of the Minister's opening statement regarding the appointment of a commercial representative in Jakarta, Indonesia. How many applicants were there for the position of South Australia's commercial representative?

**The Hon. M.D. Rann:** I will invite Robin Marrett, Chair of the EDP and CEO of the EDA to respond.

**Mr Marrett:** From recollection, there were about three or four, but I suggest that we take that question on notice to obtain the precise number.

**Mr OLSEN:** I assume that that was the result of advertising or were people specifically asked to apply, and was Mr Richard Rungkat, one of the original applicants?

**Mr Marrett:** The activity was done through SAGRIC at the international end of its operations, and a number of candidates were provided. As I said in response to the

previous question, I cannot recall the exact number, but we will take the question on notice.

**Mr OLSEN:** Who comprised the interview/selection panel for the appointment of a commercial representative?

**The Hon. M.D. Rann:** We will take that question on notice.

**Mr OLSEN:** Did the interviews take place here or in Jakarta; if in Jakarta, who comprised the interview panel; and were there subsequent applications and appointments apart from the original applications?

**The Hon. M.D. Rann:** I will take that question on notice also.

**Mr HERON:** I refer to page 478 of the Program Estimates. The Minister and the Government fully support the continuance of the automotive industry in South Australia, but what are they doing to ensure that the industry remains viable?

**The Hon. M.D. Rann:** Because of its importance to the State, the EDA continues, in conjunction with the South Australian Centre for Manufacturing, to devote specialist resources to the automotive industry. I have already mentioned some of those today. The prime focus of the State's automotive strategy has been to assist industry to adjust to the reductions in protection and the consequential pressure on the industry to become internationally competitive. To that end, funds have been allocated under the EDP to support the Centre for Manufacturing in delivering enterprise improvement and investment programs.

A program has been developed to promote large scale investment in the automotive industry in the area of upgrading significant core manufacturing capabilities, the development of automotive components for international design and the manufacture of automotive components for international markets. The South Australian Centre for Manufacturing is responsible for the administration of that portion of the program, and in addition the EDA carries specific responsibility for a number of components of the program, including the automotive task force, which I mentioned earlier and which I chair, and the Vision 2000 project, which I have mentioned was similar to the sorts of things that MITI organises in Japan.

The proposal for Vision 2000 has been reviewed with the vehicle assemblers, parts manufacturers, industry associations, DITARD and Minister Griffiths' office. The consensus is that such a process is beneficial to look at where we might be in the year 2000 and where we want to be, but it could not be successfully managed by a single State body. The proposal will be further developed with a view to establishing a joint Federal/industry approach with input from all States. I should say that I have written to Phil Gude, a Minister in Jeff Kennett's Government. In fact, I am inviting the Victorian Government to co-sponsor the automotive task force with him as co-chair. That request has not been taken up but not in a negative way. We look forward to cooperating with the Victorian Government in terms of ensuring that the needs of the automotive industry and the views of automotive States are heard in a bipartisan way in Canberra.

With regard to international market development, the EDA sponsored a workshop run by the Stanford Research Institute aimed at developing a more outward focused and export oriented vision for the automotive parts industry. Some of the larger companies have already established their own export programs, but the smaller operations will have difficulty funding the necessary long-term research and business discussions. The EDA is currently carrying out a preliminary

analysis and matching overseas companies with local enterprises with a view to establishing some demonstration pilot programs. In the long term, the objective is to have local industry develop its own market intelligence network. It may be necessary to subsidise such a service until such a time as the industry matures into capable clusters or alliances. I have already mentioned the Centre for Research in Automotive Management (CRAM), so I will not repeat that.

**Mr HERON:** I refer to page 479 of the Program Estimates. What is the South Australian Government doing about a possible trade relationship with eastern Indonesia through the Northern Territory?

**The Hon. M.D. Rann:** My good friend Shane Stone, the Minister for Industry in the Northern Territory, who was a TAFE Minister with me and who is the Minister for Asia in the Northern Territory Government, has brought off a spectacular deal for the Northern Territory, which involves a special relationship with eastern Indonesia that will essentially give the Northern Territory favoured nation status—although, of course, it is not a nation—in terms of dealing with eastern Indonesia. During 1992-93, various visits were made to the Northern Territory by the Economic Development Authority, the Centre for Manufacturing and me. I met with Shane Stone, both here in Adelaide for the initial discussions and then in Darwin, to determine how we could work with the Northern Territory to establish formal linkages with eastern Indonesia. I point out that TAFE is involved in \$80 million worth of projects in Indonesia and has a very strong relationship with that country. If one goes to Bandung, one bumps into South Australians on every corner.

However, we want to do better. There are things that the Northern Territory cannot deliver into Indonesia and there are ways in which we can help. So, there are a number of opportunities, including media industry opportunities, that are already being developed through public and private sector interests in South Australia as part of our media project; and there is an agreement to run two or three pilot projects with the objective of demonstrating the commercial value of distributing goods and services through Darwin into eastern Indonesia. In addition to the media project work, two areas were identified for pilot projects. In respect of wine exports—that is, the proposal that Darwin could be a direct sales link with the Indonesian tourist market for wine—in terms of Bali it is massive. In Bali one stays in huge 1 000 room hotels where French and Italian wines are served. There is a great deal of opportunity to penetrate that market. If we could use Darwin as an export base from South Australia, that would be to the benefit of both Darwin and South Australian wine exporters.

Also, it is proposed that Darwin can provide a valuable access for mining products to the fast expanding eastern Indonesian mining industry. In July, South Australia located its first commercial representative in Jakarta, as has already been mentioned, that person working with Northern Territory representatives in Jakarta to resolve the best approach to achieving market access for South Australian wine through the Darwin link. They, in combination, will provide the lead on the next commercial steps to be taken. Consideration of a wine and food show in Jakarta is being considered, possibly for early 1994, but certainly in 1994. In addition, the Economic Development Agency and CFM are likely to fund a wine market survey of Indonesia as a South Australian contribution to this joint effort.

In terms of mining, the Centre for Manufacturing is drawing up a complete inventory list of South Australian capabilities in relation to the Freeport mine. The Northern Territory will be forwarding additional details and a video. Development of a report on the mining industry in eastern Indonesia is being considered. There is also interest in engaging SAGRIC on a project in eastern Indonesia, together with Northern Territory interest and involving South Australian Government personnel. It is certainly of enormous potential and makes sense for us in tourism to work with the Northern Territory. It makes sense for us in a whole range of areas in terms of accessing Asia to work in the Northern Territory. I am pleased that Shane Stone launched our Business Asia Convention in Darwin as a promotion to get people involved and will be a special guest speaker at the Business Asia Convention shortly after the Grand Prix. I look forward to hosting Shane while he is at the Grand Prix.

**Mr HERON:** There has been a recent success story of a South Australian company providing technical advice for a feasibility study for a possible Thai railway project. Has anything happened on this front? Do projects such as this fit in with the South Australian Government's economic strategy?

**The Hon. M.D. Rann:** That is an area we are currently pursuing. There has been a number of initiatives in relation to developments in Thailand, and we think there is considerable potential in that country. Certainly, PPK is a well established South Australian consulting firm (previously known as Pak-Poy Kneebone), having approximately 300 employees with offices located Australia-wide; Adelaide is the head office location. Approximately 30 per cent of its consulting work is undertaken for various overseas countries such as Thailand, China, the Philippines, Indonesia, Bangladesh and south-west Pacific countries. PPK has been recognised ahead of other international consulting firms as having specialist expertise in relation to the Thai railway project, and it has completed its work for the feasibility study on the Thai project and is awaiting advice on the outcome of the feasibility study—whether the project will proceed and whether PPK will be successful in gaining any work from the project. I certainly believe that this project, if it is cracked by South Australia, will have enormous local benefit.

**Mr OLSEN:** Has there been any change in the operation of South Australia House, London, particularly as it relates to export promotion?

**Mr Marrett:** Activity in Australia House continues much the same as it has in the past. There has been considerable support from that representative office for the wine industry, and in addition it continues to do work for us in the investment attraction area, Europe being one of the areas where we look for investment attraction.

**The Hon. M.D. Rann:** Whilst the office is located in London, in the Agent-General's office, it is true to say that its focus has changed somewhat, particularly with Geoff Walls being there. Geoff Walls has been an outstanding Agent-General. He was easily the best, when all States had representatives there. He is professional, efficient, innovative and entrepreneurial: he is a credit to this State, and I am sure that the business community, as well as many parliamentarians, will testify to that. However, the focus is changing not just in the UK being used as a base for Europe but in Geoff spending a considerable amount of time in Europe, and that will continue.

**Mr OLSEN:** In the past I have also have commended Geoff Walls, particularly with regard to the operation of

South Australia House, and the focus that was placed on that office when he assumed the role. It was a very important new focus. But of concern to me is a fax of 16 September out of State of South Australia, London office, and it is signed by Stan Hurst, the Senior Business Development Manager to a South Australia company (and I will give it to the Minister later if he wishes). The second paragraph states:

As I believe you are aware, Doug Elkins is responsible for the UK. However, we are not strictly into export promotion any more, but I think you will find Doug can assist by having notices placed in the Chamber of Commerce bulletins in the places you have stated.

In other words, it seems to be a retreat from assisting South Australian companies to open up export market potential and promotion in the UK. That fax gives me some cause for concern.

**The Hon. M.D. Rann:** I am not criticising the honourable member, but there needs to be clarification of this point because, certainly in terms of investment attraction and assistance with strategic exporting, South Australia House does continue to have an important role.

**Mr Marrett:** The key issue is that there has been a tendency in the smaller nits-and-lice type business—and I am not suggesting that that is not important—to have more of that work done by the services of Austrade. The London office tends to concentrate on the bigger issues, such as the wine industry, of significant and strategic importance to this State. We are encouraging the use of Austrade. It is a service that is there and we do not believe that that should be duplicated by us.

**The Hon. M.D. Rann:** Recently, a trade Ministers meeting was held in Canberra, chaired by Peter Cook and attended by Alan Griffiths and Simon Crean. There really has to be a better rationalisation of how we do things in a complementary way as well as being competitive. One of the things that we all said was that it is vitally important that, when politicians are abroad, they do not bag their country—that we adopt the same rules as the United States congress whereby a Republican will be a Republican at home and a Democrat will be a Democrat but when they are abroad they are Americans. That has not always been the case, either in this State or around the nation, and various silly statements are seized upon in the foreign press and beaten up. In terms of competitive offices, there are some areas where Austrade should do the work. There are also some areas where our State strategic aims should be conducted in conjunction with the State's overseas representatives.

**Mr OLSEN:** Between now and when the Committee reports to the House I would appreciate the Minister's officers looking at the fax and responding, particularly to the request from the South Australian company.

**The Hon. M.D. Rann:** Absolutely.

**Mr OLSEN:** I refer to the development of the economic blueprint for South Australia—a very important document. There is a preface to that: my understanding is that a number of Government agencies are charged with the responsibility of overseeing development strategies for South Australia. For example, as I understand it, there is the State Business Development Executive, which comprises the Chief Executive Officers of a number of Government departments; there is the Strategic Planning Unit within the Premier's Department; there is the Strategic Planning Unit in the urban and regional development department; there is the EDB, the EDA and BARD. It seems to me that we have a range of bodies charged with perhaps a duplication of roles. How do the roles

of all those bodies that have a responsibility for the strategic development of South Australia interrelate?

**The Hon. M.D. Rann:** I tried to explain that in my opening statement. Of course, there is the Small Business Corporation and the Centre for Manufacturing, each with specific designated tasks, as the honourable member quite rightly said. There is the EDB, the board of the EDA, which acts in concert with the Government in terms of looking at the strategic direction. That executive, as the honourable member says, involves the heads of different agencies and Bill Cossey, who is the coordinator across the portfolio, is very much responsible for ensuring that there is coordination in what we do.

That does not mean that they act as individuals—although Mines and Energy and people in those areas have their own jobs to do. We are now ensuring that there is coordination and closer cooperation, and that is working very well. I do not see it as a problem that we have people meeting together and looking towards the future direction of the economy of the State. In terms of the EDB's role, I invite Mr Marrett to comment further.

**Mr Marrett:** The Economic Development Board at the present time is giving most of its attention to the preparation of a strategic economic development plan for the State. That is one of its major and, perhaps in its early days, primary duties and, through a particular discussion paper, in doing that it has been drawing in the views not only of various parts of Government but also of the private sector itself.

Indeed, just to take the question of the involvement of various agencies within Government, the preparation of a discussion paper (which I believe the Minister tabled in the House) entitled 'Regaining Prosperity' has been reviewed and commented on by a number of Government departments—Primary Industries, Mines and Energy, Environment and Land Management, Housing and Urban Development, Employment and Technical and Further Education, Labour and Premier and Cabinet, and the Office of Tourism. In addition, there are a number of economic agencies: the Centre for Manufacturing, as Mr Cambridge said earlier today, the MFP, the Small Business Corporation, Sagric International, the Tourism Commission, the TCF Centre (as it then was), the South Australian Environment Protection Authority, the Signal Processing Institute and Austrade, a Federal organisation.

That indicates the involvement of those various agencies, many of which have perhaps a direct economic focus, others having a secondary focus and involvement in the preparation of and the thinking as to the economic development plan for this State.

**Mr HAMILTON:** What initiatives have been taken to encourage exports of processed foods based on locally produced foodstuffs, and what role does Export Park at Adelaide Airport play in getting our products into the international market?

**The Hon. M.D. Rann:** The EDA has been actively working to develop our processed foods exports for two years. It is working to a broad strategy, including the establishment of industry networks to jointly tackle new markets. This enables the participants in the network to piggyback on each other's successes and take advantage of the joint venture provisions under Austrade's export market development grants scheme.

Some successes have been achieved already, including the allocation of funding support to the industry and the appointment of a food specialist at the South Australian Centre for

Manufacturing. This specialist will assist processed foods manufactures to improve their competitiveness and make a planned strategic attack on overseas markets. He will also be responsible for working with companies and the EDA to prepare applications for assistance from the SA Development Fund.

The recently announced new exporters challenge scheme and the strategic trade development scheme are State programs that assist smaller South Australian companies which do not reach the threshold for the Austrade schemes to implement expansion into export markets. The establishment of a formal marketing joint venture called 'Australia's Best Foods' focused on the specialty foods market in Japan, and products have been taste tested and are currently being modified to meet market expectations.

A senior Japanese representative has been appointed to negotiate with importers and distributors. Some modest sales have already been achieved by members of the group. However, relationships with Japanese companies typically take at least two years to establish. It also involves the establishment of a joint venture to market South Australian processed foods into Singapore. An association of South Australian food processors has now been established and some preliminary orders have already been achieved. There has also been input to the directions to the Agrifood Council, through close liaison with the Commonwealth Department of Industry, Technology and Regional Development and the establishment of linkages between South Australian food companies, potential investors and particularly business migrants to facilitate development of the industry and to capitalise on existing linkages in overseas markets.

These are just some of the initiatives that are assisting the development of market and production opportunities for South Australia's food processing industry. I had the great privilege of visiting Fleurieu Fine Foods on the peninsula and seeing the Centre for Manufacturing and the EDA working with an outstanding couple and their staff who are out there exporting. When I visited them they had just won some orders for the use of their fine condiments on international aircraft. There is a great deal that can be done. Beerenberg has shown that over the years, and I am sure the member for Kavel is very proud of the company within his electorate.

**Mr HAMILTON:** What information can the Minister provide to the Committee in relation to what the EDA is doing to assist the processed food industry with linkages and business opportunities in South-East Asia, particularly in Singapore? Can the Minister also advise what we are doing to assist the wine industry?

**The Hon. M.D. Rann:** In terms of the main part of the question, six companies were approached by the EDA to ascertain interest in adding South-East Asia to their marketing plans for future expansion. All six have agreed to participate in a mission to Singapore to gain insight into where our industry could best fit into the needs of the market. The objective was to return armed with enough information and learning to assess the viability of future trade in an investment from the region.

The visit to Singapore from 5 to 12 June accomplished more than the set objectives. Meetings with the key industry figures in Singapore allowed the South Australian companies to expand on their product range, obtain retail costings on like product ranges and discuss local requirements for packaging and marketing. Tasting sessions for key buyers were conducted, and enthusiasm for some products resulted in extra privately conducted meetings. Most companies have reported

that follow-up will result in sales and they are keen to explore their opportunities in coming months.

The EDA is facilitating the formation of an association of South Australian processed food producers, and an industry-based secretariat is being sourced and will approach suitable producers to join. According to the feedback from our meetings in Singapore, this action will give us exposure, credibility and an accepted professional approach into Asia. As a market enhancement organisation, it may also provide a united voice, become an effective lobby and attract relevant funding. The original six companies that visited Singapore now plan to mount a major exhibition of products during October 1993 and again in April 1994, when Singapore hosts world food fairs.

In relation to the wine industry, we provided \$1.5 million almost exactly a year ago to the Wine and Brandy Corporation. I know this issue was raised during the examination of the Premier's votes in the Estimates. I have a great deal of confidence in the Wine and Brandy Corporation and the role of people like Brian Croser, who is also a member of the EDB Board. The \$1.5 million grant was to support a comprehensive long-term export promotion program involving total funding of some \$10 million over a five-year period, supported by brand marketing estimated at some \$30 million per annum. The program is an extension and continuation of existing export promotion. The extended program began on 1 July 1993 and is in the initial stage of implementation.

This is another example for the member for Kavel that the industry very much sought, wanted and needed that grant. But, rather than just spending the \$1.5 million in a flash, it acted strategically. As I said, the detailed program milestones of the South Australian Government's support indicate a target date of no later than December 1993 for the appointment by the Wine and Brandy Corporation of a promotions coordinator in the United Kingdom. We understand that an appointment was made but that the person did not proceed and the corporation is in the process of reappointing a coordinator.

Under the detailed terms of the grant, \$1.5 million has been transferred to an account in the name of the Australian Wine and Brandy Corporation. Actual draw downs from the account to the AWBD have not begun, as they will flow from the meeting of agreed project milestones. Therefore, that is nothing to do with the Government: the corporation wanted the money and it received it. The first of these milestone meetings is anticipated by December 1993, and will mirror as closely as possible the milestones required for the loan from Austrade—that is, another loan.

The \$250 000 for the study of the impact of the tax increases on the wine industry did not come out of the \$1.5 million: that was a totally separate sum in addition to the \$1.5 million. The Australian Wine and Brandy Corporation advised that it has reached agreement on the ITS money through Austrade, which was a pre-condition of our assistance, and it has recently signed the agreement with Austrade.

The Australian Wine and Brandy Corporation has asked the Victorian Government for financial assistance. However, although that Government has been sympathetic, no financial commitment has been made as yet. I am not sure of the situation in New South Wales; I understand that no contribution has come from that Government either. I am also unaware of the Western Australian Government's position.

**Mr Marrett:** The Wine and Brandy Corporation was going to tackle those other State Governments one at a time.

As I understand it, the only intensive discussions it has had at this stage have been with the Victorian Government.

**The Hon. M.D. Rann:** We strongly advocate that other wine States follow our lead. We are the principal wine State, but we are putting money into the Australian Wine and Brandy Corporation, not just the South Australian branch. So, we want other States to put into the kitty. The industry, of course, continues to achieve considerable export success with 16 per cent growth. Australian sales may be adversely affected by the increase in tax in the Federal budget, and the South Australian Government and the industry are working to reverse that tax decision.

**Mr HAMILTON:** I refer to an article in the *Business Review Weekly* in September 1992, written by one Alex Kennedy. Perhaps the member for Kavel may know that name. It is a very interesting article which refers to the opportunity taken by a family that was interested in go-karting. It may be some surprise to members of the Committee that there are something like 5 000 registered go-kart racers in Australia and more than 14 000 go-karts.

On Monday of this week, I had the opportunity to visit the family's factory in Albert Park and was told by the proprietors—the father and the son—that they supply more than 95 per cent of the Australian market with go-kart wheels and the company exports more than 50 per cent of its production.

The company's first foray into the export market was not planned. A Canadian businessman was in Adelaide for the first Australian Formula One Grand Prix in 1985. I think the Minister would find it very interesting indeed, as an aside, how business people from all over the world come to South Australia and find that here is an opportunity. This businessman saw that this organisation was making these go-kart wheels and, as a consequence, the company received telephone orders from the United States, followed by orders from Japan, Britain, Holland, South Africa, Hong Kong and the Philippines. All of these orders were from racing enthusiasts. Again, one can see the benefit of the Australian Formula One Grand Prix. This article also states that that customer wanted a new style of go-kart. The company got a call from Britain asking for the same style less than three weeks after the go-kart had been delivered.

The family agrees that the reason for the company's growing export success is its speed and flexibility in supplying orders. The article refers to the father's tooling skills, wheel design and the company's ability to have the go-karts ready for delivery in less than a week. The family also talks about benefits from our international airport—the company sends all its export orders by air freight.

Here is an opportunity that was grasped by this family. It was a delight to visit this factory and be able to report to the Parliament some of the good news stories around. Unfortunately, they are not actively promoted in the media. I think this is one story that illustrates quite clearly what South Australians can do.

*Members interjecting:*

**The CHAIRMAN:** Order!

**Mr HAMILTON:** I will ignore it, Sir, because I believe that this is a very serious matter. I hope that when these people get a copy of *Hansard* they will note the flippant responses from members opposite. How is the EDA using information systems to identify opportunities for South Australian businesses and, in particular, their capacity to export overseas and thereby, one would hope, create more job opportunities for people here in South Australia?

**The Hon. M.D. Rann:** The honourable member had raised that issue in that article with me, and I certainly commend those people in his electorate for niche marketing, having the guts, talent, the skills and the smarts to get out and sell in a difficult area internationally. I commend them for doing so, as I am sure that all members would. I also do read Alex Kennedy's columns with great interest, because it is always delightful to see the thinking of the member for Kavel at any given time.

The EDA is establishing an economic development firms database comprising all South Australian firms that could have impact on the South Australian economy. This is being done in conjunction with other agencies that collect and use information from companies. These include State Supply, the Centre for Manufacturing, Industrial Supplies Office, Chamber of Commerce and Industry, Textile Clothing and Footwear Skills Centre and the Defence Industry Development Group. Computer Power Group has been selected as the contractor to develop the software for the database. The detailed requirements document has been completed. Electronic data from the Centre for Manufacturing, Industrial Supplies Office and Department of Defence has been collected and is being formatted for the firm's database. It is an exciting project and one about which I am happy to give further details at a later stage.

**Mr OLSEN:** I would like to move that all the pre-typed questions handed out by the Minister and his very detailed answers be tabled. They are very interesting, but I am quite happy for them to be tabled and incorporated in *Hansard*. Then we on this side could get on without interruption and ask a range of questions without 12 minute gaps.

**The Hon. M.D. Rann:** We witness in Question Time every day all the pre-typed questions that are handed out by the Leader of the Opposition's minders to the Leader's former Leaders of the Opposition, to his predecessors in a row, and these poor hapless individuals have to read out this garbage every day.

**The CHAIRMAN:** Order! I advise those members of the Committee who are concerned about the precious time we have remaining that we have just wasted the last minute and a half.

**Mr OLSEN:** In my previous question relating to the six bodies involved with development strategies for South Australia, both the Minister and Mr Marrett replied, and I certainly concur. I hope that it would have been the case that in the development of the economic blueprint for South Australia a range of bodies would be consulted. That was not the point of my question and the point of identifying these bodies. One of the great problems in South Australia, and I am sure this is one matter being addressed by the Economic Development Board, is the difficulties experienced by investors getting projects up and running in South Australia; it is too difficult and too hard. I am sure the Minister has heard that on a number of occasions. I guess part of the strategy being developed by the EDB is how to overcome it.

There are six bodies, Government agencies and instrumentalities having a finger in the pie of economic development and strategies in South Australia. When it gets to the stage that CEOs are saying that they leave those Monday morning meetings because they go on for far too long and achieve very little, together with the fact that six are operating now, it seems to me that there is a proliferation of these bodies that are strong on theory but have very little practical application, implementation and thought of getting on with the job.



**The Hon. M.D. Rann:** No chief executive officer has told me that they have walked out of the Monday morning meetings in a huff or because they went on too long. If the honourable member is suggesting that we abolish, as the Victorian Government did, the Small Business Corporation—that was one of the Liberal planks—or abolish the Centre for Manufacturing or Mines and Energy, they all have an input in different sectors of the—

*Members interjecting:*

**The CHAIRMAN:** Order!

**The Hon. M.D. Rann:** Obviously the honourable member did not have a mild curry tonight to ensure—

*Mr Olsen interjecting:*

**The CHAIRMAN:** Order! I have just called for order and the honourable member continues to interject. I ask him not to do so, and not to defy the Chair, irrespective of provocation. I will ensure that there is control over what others are saying. I also remind the honourable member that in the normal course of events, and I hope I can adhere to this, he will very shortly get a second call. The honourable Minister.

**The Hon. M.D. Rann:** I think it is very important that the heads of different agencies, with common interests but in different areas, meet to discuss things, just as the shadow Cabinet meets to discuss things. I am sure they have some very positive input from the member for Murray-Mallee and the member for Custance and others who are soon to join their ranks in the shadow Cabinet, I understand.

**Mr OLSEN:** When is it likely that the economic blueprint will be complete for public release?

**The Hon. M.D. Rann:** I am happy to pass that on to Mr Marrett.

**Mr Marrett:** Comments have been received back on the initial paper. Those comments are being considered and where appropriate are being incorporated in a new draft. The current plan is that the document for public release will come out in the second week of October.

**Mr OLSEN:** Mr Marrett detailed a range of bodies that had been consulted. I cannot recall whether the multifunction polis was part of the consultation process. Is that the case?

**The Hon. M.D. Rann:** Absolutely.

**Mr OLSEN:** He had discussions with Mr Kennan on a number of occasions in relation to the development of that blueprint?

**Mr Marrett:** I have not had discussions directly with Mr Kennan on that particular issue, but I have had a number of broad-ranging discussions with him generally. The discussions have taken place with his officers in the form of their having the opportunity to comment on the document.

**Mr OLSEN:** I am sure Mr Marrett is aware that within the business community concern has been expressed at the delays in the development of the blueprint and at the—and I quote others—inaction of the EDA in the development of this economic blueprint plan. There has been criticism that there seems to be an inordinate delay in the development of the plan, and there is still no real focus on a development plan for South Australia, albeit that some considerable time has elapsed since the release of the Arthur D. Little report. I ask therefore if the Minister or Mr Marrett would like to comment on what the business community is saying about town.

**The Hon. M.D. Rann:** Some people in the business community, as in any other community, will always prefer to whinge. They are not the 1 100 people who have been assisted by the Centre for Manufacturing to get on with it. I would rather deal with those who want to do things rather than those who offer alibis and excuses. There were 38

recommendations in the Arthur D. Little report, 80 per cent of which have either been implemented or are in the process of being implemented. I hope the honourable member is not reflecting on the calibre of the people on the EDB, because they have been given—

*Mr Olsen interjecting:*

**The Hon. M.D. Rann:** Well, you have not named anyone; you have plucked these allegations out of the air. The EDA, which you have criticised, has got on with the task at hand. Of those 38 recommendations, 80 per cent have been implemented or are in the process of being implemented. Meanwhile, the EDB is going through the consultation program that was announced in terms of involving the community because, unless there is common ownership and unless the positive and constructive people in this State get behind the plan and are involved in developing it, the plan cannot work. It has to be a consensus plan. That is the way it has been done by the EDB, and I salute it in that process.

**Mr Marrett:** The board has been spending quite a bit of time on this process and, as the Minister said, the important thing is to get by with the various parts of our community who will be the main players in bringing about economic development and growth in this State. Although seemingly drawn out to some, I believe the process is proceeding at a rate that could be reasonably expected because it is a rather serious and important issue for this State.

The process has taken place essentially in three steps. Back in July, at a seminar entitled 'South Australia Means Business' jointly run by the Economic Development Authority and the South Australian Chamber of Commerce and Industry as it then was, there was a review of what had happened in relation to the Arthur D. Little report recommendations. In my address to that seminar I indicated the board's first view of the key issues for economic development in this State. That was followed by the release of the document 'Regaining Prosperity' to a group of people within Government and also within the private sector. That document described in more detail some of the board's views in respect of seeking comments on the proposals contained therein. It also sought the views of the private sector in respect of the action that it should take, because we were very concerned that the 'Regaining Prosperity' document was very heavy in terms of the action that the public sector should take. We received a number of constructive comments from the private sector, and I mentioned a little earlier that we received a number of comments from the public sector.

We were concerned that there were not many suggestions at all from the private sector as to what its role should be in the overall economic development process. Although I said we were very happy with the response from the private sector in terms of its constructive criticism of some of the approaches that were being recommended, I think it is fair to say that we were somewhat disappointed that some of the actions that we had hoped it would identify for itself and that we could incorporate into this plan did not seem to be forthcoming.

**Mr HERON:** What is the South Australian Government Development Fund used for, and what benefits flow from it?

**The Hon. M.D. Rann:** The South Australian Government Development Fund has a very strong relationship—I think stronger than any other funding source—with this Parliament. The South Australian Development Fund is targeted to support the Government's industry development priorities and objectives in a cost-effective manner. The Industries Development Committee, drawn primarily from the South Australian Parliament, provides a bipartisan review of all

guarantees, all South Australian Housing Trust payments and also the majority of incentive and assistance proposals involving more than \$200 000.

The Auditor-General reviewed some comments on the operation of the fund in his annual report. As from 1 July 1988 the South Australian Government Development Fund has operated as a revolving fund in the form of a deposit account bearing interest. From 1 July 1990 the SADF formed part of the South Australian Economic Development Fund, which provides broadly similar arrangements for funding of agencies connected with the department. The SADF 1991-92 revenue source comprised a base allocation of \$13 million from Consolidated Account, carryover funds of \$5.06 million and interest fees and capital recoveries of \$1.9 million; the 1992-93 revenue source comprised a base allocation of \$13 million from Consolidated Account, carryover funds of \$4.7 million and interest fees and capital recoveries of \$1.6 million; the 1993-94 revenue source comprised a base allocation of \$12.52 million from the Consolidated Account, carryover funds of \$4.1 million, and expected interest fees and capital recoveries of \$2.8 million.

The fund expenditure comprises industry development payments, payroll tax rebates, regional industry programs, Government guarantees, losses, the International Business Initiatives program, other payments which by agreement with Treasury come from the fund, repayment to Treasury in relation to the ship lift purchase; and repayment to SAFA in relation to the submarine project. In 1988-89, 120 projects were approved involving the provision of \$31.9 million; in 1989-90, 132 projects were approved involving the provision of assistance totalling \$32 million; in 1990-91, 81 projects were approved with assistance of \$19 million; in 1991-92, 79 projects were approved with assistance of \$20 million; in 1992-93 projects were formally approved involving the provision of assistance totalling \$11.3 million, and the anticipated benefits of these projects include capital expenditure of \$19 million and retained employment of 1 776.

*Mr Brindal interjecting:*

**The CHAIRMAN:** Order!

**The Hon. M.D. Rann:** These are SADF payments.

**Mr HERON:** What action is the South Australian Government taking to ease the burden of taxes and charges upon business?

**The Hon. M.D. Rann:** That is a very important question because in various statements, including the Premier's Meeting the Challenge statement this year, FID has consistently been raised as an issue of concern for business. On 22 April 1993 the Government's economic statement reduced FID from 0.1 per cent to 0.065 per cent and provided a 10-year tax holiday through the enterprise zones. For years, over a late night drink, people would say, 'If we had no State taxes at all, investment would flood in.' The enterprise zone is a chance to prove the point so, as I say, rather than whingeing let us see people adopt a can-do approach. We have mentioned many of those companies today—let us see them get on with it.

The economic statement also included a commitment to keep those increases in major taxes and charges that impact on industry to at or below the rate of inflation; and to contain electricity tariffs and residential water charges. In June ETSA's industrial and commercial electricity tariffs were cut by up to 12 per cent as part of the Government's continuing drive to improve the State's competitive position. The August 1993 budget announced that the payroll tax rebate introduced in the previous year's budget of \$1 700 per employee over

and above 98 per cent of the employer's 1991-92 work force would be continued in 1993-94, and a rebate of FID would apply to export income earned in 1993-94.

Obviously a further major taxation reform is difficult for any State Government in the absence of concerted action by the Federal Government. We have acted in other areas. For example, South Australian employers benefited from a 10 per cent across-the-board cut in WorkCover levy rates for a 6-month period ending June 1993.

The Government is concerned to ensure that the structure and level of State taxes and charges is consistent with overall economic development priorities and does not discourage productive business investments. The EDB is looking at this issue, as is the Government. I think that we have made some stunning changes this year in terms of taxation, which I am sure all members would applaud.

**Mr HERON:** The Minister mentioned earlier the development of opportunities for health services. What initiatives have been taken to increase the export of South Australian health services into South-East Asia?

**The Hon. M.D. Rann:** There is no doubt that SAGRIC International, which has a direct relationship with my portfolio area, for years has had a major concentration not only in agriculture but in education services and their export. The export of health services will be increasingly a new thrust as we go towards the end of this century. A report commissioned by the EDA on health sector market opportunities in Malaysia has been given wide distribution throughout the industry. In addition, the EDA has supported a proposal from private sector health service organisations to study the viability of establishing a South Australian presence in Malaysia to facilitate a market entry. As a result of EDA's support, two South Australian health centre organisations have entered into joint venture arrangements with Malaysian partners, and a third is close to signing up.

Through the EDA, the Government has recently announced the appointment of Mr Richard Rungkat as its representative in Indonesia. One of Richard's first tasks will be to assist in identifying health sector opportunities for South Australian organisations in Indonesia. A delegation of 42 Ministry of Public Health officials from Thailand visited South Australia in August, hosted by the EDA and SAGRIC, to learn from our expertise and experience in various aspects of environmental health. The visit was the result of close liaison between the EDA and the Ministry of Public Health officials in Thailand and is expected to be the first of several such training programs for Thai environmental health officials.

**Mr OLSEN:** For the benefit of the Committee, I point out that in the past half an hour Mr Hamilton had 12 minutes of question and answer time, I then had a bit over seven minutes and the member for Peake had 11 minutes. I point out that by this mechanism the Government is ensuring that the Opposition gets a minimum opportunity to ask questions. The lengthy answers being given by the Minister to prepared questions inhibit and restrict the Opposition from canvassing all the issues that it might wish to canvass. The Government well knows that there is a time constraint on this Committee. Unlike Estimates Committees in other forums in other Parliaments that do not have a time constraint, we do, and that is 10 o'clock. Any questions that are not asked at that time will never be asked. I think the process tonight has not been in the best interests of the Estimates Committees of the Parliament.

**The CHAIRMAN:** For the guidance of members, I make the point that 88 questions have been asked today, including 24 supplementaries. I cannot give an actual dissection for either side for the whole of the day, but when we suspended for lunch 40 questions had been asked: 24 by members on my left and 16 by members on my right.

**Mr OLSEN:** I want to address my question through the Minister to Mr Marrett. I am sure that he will acknowledge that there are concerns in the business community about the delays in formulating and releasing the economic development plan. Is there too great an expectation in the private sector as to what this plan can and will do for the private sector of South Australia, and what action is the EDB/EDA taking to address what I think is a somewhat damaging view?

**The Hon. M.D. Rann:** I would like to point out that dozens of questions have been put on notice. A procedure was adopted to allow the Opposition the opportunity to put a whole series of questions on notice. That procedure was not specified in the rules and we did not have to do it. So, the Opposition is getting more than its fair share, and the honourable member knows it.

**Mr Marrett:** I believe that the expectations regarding speed and the content of the economic development plan are a little unrealistic. The board is seeking to put together a plan that will address issues that will, in its view, move this economy steadily through the balance of this decade and century into the twenty-first century. It has taken quite a bit of time to get some focus into that. One of the major feedbacks that we got from the review of the document 'Regaining Prosperity' is that there should be less strategies and more focused actions, and we have taken that on board.

I do not believe that one can effectively develop a process that is aimed at getting people to buy into a future direction for economic development in this State without taking the sort of time that we have. I think the expectations in terms of time have been a little unrealistic, as have expectations with respect to the amount of detail. I do not believe that a strategic plan should have a how-to-do-it approach; it ought to be a plan that sets out the major directions that we have to follow in our economy and the key issues that must be tackled if we are to put ourselves in a position of strength to obtain economic and employment growth.

We have been keeping dialogue with the business community as, indeed, we have with other parts of Government. I am a little concerned to learn from Mr Olsen's comment that there is not the realisation that there should be that this process is taking quite some time, and that that is the sort of time that one could expect for an issue of this magnitude.

**Mr OLSEN:** I understand that a public relations coordinator has just been appointed to the EDB. Will the Minister or Mr Marrett provide the Committee with the background of the person who has been appointed and say whether the position was advertised?

**Mr Marrett:** The appointee is Elizabeth Weaver. She was appointed following the advertising and interviewing of a number of candidates. Her role is to assist the authority and the board with its publicity activities. This position was envisaged in the early days of the Economic Development Authority's formation. I believe that the position was filled about three months ago, but I cannot be more precise than that. Ms Weaver was last employed by the Australian Manufacturing Council.

**Mr OLSEN:** I note that Mr Marrett visited the USA for a short period in August. Will he advise the Committee of the purpose of the visit, the places he visited and its outcome?

**The Hon. M.D. Rann:** I agreed to the visit. I think it was vitally important that Mr Marrett visit the United States to look at how a number of State Governments in that country are involved in the process of formulating and implementing their economic development strategies and also to visit the National Governors' Association in Washington, which is essentially the peak body for all State Governments in the United States, not in a constitutional sense but in the sense of being an area of research and ideas. I visited that same body when I was Minister responsible for TAFE and found it very helpful in terms of my dialogue with Minister Dawkins previous to my coming to this portfolio.

**Mr Marrett:** The purpose of the visit was to go to a location which was a federation of States similar in concept to Australia (probably different—but certainly not in its application) to get some appreciation of how certain States of the United States were tackling their economic development effort. The secondary purpose of the visit was to see whether any of those States (many of which are probably much further down the road in their economic development approach than we might be here) had, for want of a better term, any quick fix, quick acting solutions that we might identify. I must admit that the board and the authority were having some difficulty identifying those solutions themselves. To answer that question first, with a degree of disappointment but not with a great deal of surprise we found that no-one in the United States (and I will mention the States that we visited shortly) had any quick acting programs: the message we got was that it is a long hard grind.

We went to Washington DC and we spoke to members of our own embassy with respect to their views on economic development in the United States. Their focus, not surprisingly, was on the Federal scene. We visited the Department of Commerce in Washington particularly to ascertain the interaction between the work that the Federal and the State Governments were doing with respect to economic development. We visited the National Governor's Association in Washington, which is a longstanding organisation going back to the last century and which is basically a forum of the Governors of the various States of the United States, and in particular we spoke with officers of North Carolina and Iowa.

We picked out five States which had some record of successful economic development: Virginia, Maryland and Pennsylvania, all closely grouped around the national territory of Washington DC, and then Georgia and Oregon. I am pleased to say that, as a result of those visits, we are able to confirm that the general approach that the board was taking here was certainly consistent with the kinds of approaches that had been used in the United States, particularly in those States that I have just mentioned. So, in summary, that was the purpose of our visit.

**Mr OLSEN:** In last year's Estimates Committees, reference was made to the need to compile market intelligence, if you like. I refer to a survey that has been undertaken into the regions of the Asia Pacific in terms of investment approval times and simplicity of procedures. Can the survey results be made available to the Committee?

**The Hon. M.D. Rann:** We have yet to get the results, so we cannot make them available to the Committee. However, when those results are obtained and when the study is fully completed, we will give copies to the honourable member.

**Mr HERON:** When will the Commonwealth's regional development task force be visiting Adelaide, and will the South Australian Government be meeting its members?

**The Hon. M.D. Rann:** The regional development task force will visit Adelaide in early October. I mentioned earlier that it is chaired by Bill Kelty. I have met with Steven Howard, one of his deputies. The task force will be meeting in Adelaide on 11 October, and I will be meeting with Mr Kelty as a prelude to meeting with the whole of Cabinet later that day. I will be making clear to Mr Kelty that South Australia, particularly regional South Australia, is bearing an unfair burden of the Commonwealth's restructuring agenda. South Australia has been battered and bruised most recently by the Commonwealth's decision to increase the tax on wine. I have already given that message to Steve Howard.

Also, of course, one of the members of the committee is Margaret Lehmann, who is eminently qualified to give both the task force and the Commonwealth the message about the impact of the Commonwealth's decision on the wine industry in this State. I am delighted that Margaret was appointed as the only South Australian member of the task force. She has kept in contact with my office and she says that the submissions and representations to representatives of the task force when they have visited regions in South Australia have been first class, a fact she puts down to the strong network of regional development boards which we have supported in partnership with local government.

**Mr OLSEN:** During the preparation of the economic development plan, has it come to the attention of the EDA and the EDB that, in developing a strategic plan of action, the level of State debt and perhaps the perception that there is no cohesive effective debt management strategy is creating amongst potential investors a reluctance because South Australia might be a risky place in which to invest? I want to make the point that I said it was a perception by investors. The matter involves tackling that perception.

**The Hon. M.D. Rann:** You are not suggesting that South Australia is a risky place to invest.

**Mr OLSEN:** I certainly hope it would not be, and we would want to change it so that it is not. What will the strategy do to tackle that perception that is aboard?

**The Hon. M.D. Rann:** I invite Mr Marrett to comment on whether this perception has been raised with him and the board and what their reaction has been.

**Mr Marrett:** One of the key strategies that the board is looking at now—and this follows the feedback on the Regaining Prosperity document—is that South Australia, we believe, needs to be seen as one of the best places in the Asia-Pacific region to do business. We are looking at a number of aspects of that. It is fair to say that the board has taken the view that the question of the perception of the State's finances needs to be addressed and, indeed, a clear statement made as to a plan of action for how those finances will be dealt with.

The Government, of course, has made some announcements about that in its own budget proposals and also in the Meeting the Challenge document. The board makes no comment on that: it merely says that this is an issue that has to be addressed, not so much in doing anything differently but maybe just making sure that there is a broad understanding of what is proposed to deal with the issue that Mr Olsen mentioned.

**Mr OLSEN:** I understand that Mr Bob Hogarth from PPK is assisting the EDB. In what capacity? Is it a consultancy basis?

**Mr Marrett:** Mr Hogarth from PPK is assisting the EDA and the EDB in the preparation of the plan. We have had some difficulty over the past six to nine months in hiring a person with sufficient strategic planning capabilities to do the job that we had before us and, in view of that, we have hired on a short-term basis—my recollection is that it is something less than three months—Mr Bob Hogarth to assist us in this work, bearing in mind the particular capabilities and experience that he has had in this area, once again particularly in the international arena.

**Mr OLSEN:** In the initial statement by the Premier about economic development strategies, Meeting the Challenge, a target of some 4 per cent in real economic growth was one that we had to reach for the economy to pick up, for the standard of living of South Australians to improve and for job prospects to be generated. Given the very slow investment climate, given what one would describe as the very sluggish nature of the South Australian economy, do we have to review that annual target so that we meet the objective by the year 2000; and, if so, to what extent do we have to amend that target?

**The Hon. M.D. Rann:** There was obviously a start time that was announced for that process of reaching the 4 per cent, and I think that we should be gearing up and working in partnership with the private sector in an aim to reach that target, not dumping the target before the plan has already been agreed upon, but I will invite Mr Marrett to comment further.

**Mr Marrett:** The key objective that the Economic Development Board continues to recommend for the economic development and growth of this State is that there should be on average between the beginning of the next financial year and the end of this decade—and I emphasise 'on average'—a rate of economic growth of 4 per cent per annum. We make no assumption as to how that might be ramped up or ratcheted up from the position where we are now, but we merely say that the target should be on average 4 per cent per annum for the rest of this decade, and that the growth desirably has with it a net increase in employment per annum, once again on average over that period, of 2 per cent.

If that does occur with that level of growth, we would expect unemployment, as measured in the traditional way, to be falling through the 5 per cent level by the end of the decade. Indeed, that is one of the key objectives, if not the key objective, of the plan, and I can say that there is no intention at this stage to modify that objective and it has not been suggested in any of the consultation that that objective should be modified.

**Mr OLSEN:** Are there any trade missions proposed this year, and if so where?

**The Hon. M.D. Rann:** I will ask Mr Marrett to comment on this. Of course, a number of major trade missions have been undertaken this year and the Premier has been involved in several of those. There is always a rolling schedule of projected trade missions, obviously undertaken in a strategic and much more targeted way than the sorts of trade missions that occurred in the 1970s. It is also very important that in developing those trade missions there be a clear and specific focus.

**Mr Marrett:** I have just consulted with my adviser and, to give a complete answer, we will have to take that on notice.

**Mr OLSEN:** To come back to 4 per cent real economic growth on average through to the year 2000, by what would

we have to increase investment levels on an annual basis to attain a 4 per cent average over the next seven years?

**Mr Marrett:** I do not have the figures in front of me, but my recollection is that the work that we have done has shown that in the year 1991-92 the level of investment in plant and equipment in the State was about \$2.3 billion, and we see that having to move up progressively over the period to the end of this decade to a figure of roughly \$3.5 billion—so a movement upwards of \$1 billion over a period of five or six years.

**Mr OLSEN:** I understand that the Government has invited a number of leaders from the Asia-Pacific region to attend the Business Asian Convention to be held on 7 and 8 November. How many have been invited and on what basis have they been invited?

**The Hon. M.D. Rann:** The Business Asia Convention is being convened shortly after the Formula One Grand Prix with a view particularly to assist small and medium sized businesses to do business with Asian economies. We have invited a range of speakers. I can get a list of which countries and which categories, but there is basically a mix over five or six countries, including Indonesia, Vietnam and major figures from China. We will be announcing a full list of speakers shortly. I understand there will be 60 speakers at the convention and a variety of seminars will be built around them. There will also be a range of Asian delegates.

When I was in Indonesia in 1990 with TAFE, when we set ourselves the objective of tripling the number of students coming to South Australia from that country within three years (we reached that goal in about 15 months), one of the messages I received quite clearly from the Australian Jakarta Chamber of Commerce, from Phillip Flood who was then Australia's Ambassador to Jakarta, was that so many people do not understand the culture, and if you do not understand the culture you cannot do business. Some of his officers told me of some horror stories involving Australian business people not understanding the Islamic culture and not understanding the Indonesian way of doing business.

We are trying to assist business in this State, particularly small and medium size business, on how to do business with Asia. We are delighted with the very strong support we are getting from the business community, including business representatives who are involved in the organising committee. We have also had some assistance from Mike Helm, who was formerly a senior official in the Western Australia Government, who organised the 'Into Asia' conference, which attracted national and international attention.

**Mr OLSEN:** In relation to the invitations for those business leaders to come to South Australia, is travel and accommodation being met and, if so, what budget allocation has been put forward for that?

**The Hon. M.D. Rann:** From memory, the entire budget for the whole convention would be in the order of \$350 000, and I can certainly give more information to the honourable member. But, obviously, if you are going to invite leaders from China to come and be guest speakers at a convention, you are not going to send them a bus ticket. We are either going to be in it to win it or we are not, and we want to get the best at this convention, and we are going to get the best. Euan Miller, who is the head of State Records, has done an outstanding job in a relatively short time of putting together an international class convention, and certainly the response from the South Australian business community to this convention has been outstanding.

**Mr OLSEN:** I understand that about two years ago the EDA, with the support of the MFP, appointed a project steering committee to examine the feasibility of a high tech film and television media facility located in South Australia. Can the Minister advise the Committee of the status of that project?

**The Hon. M.D. Rann:** It is very useful perhaps to discuss the process about the media project. Since July 1981 the EDA has been developing a media project with the aim of networking South Australian and Australian strengths in film video, television, multi-media and open learning products and services to provide both the focus for increased local investment and the development of innovative export strategies targeting the Asia-Pacific region.

Participants in the media project include the Southern Television Corporation and the Department of Employment and TAFE. Everyone here would be aware of TAFE Channel, which was one of TAFE's great internationally recognised initiatives over the past few years. Other participants were: South Australian Film Corporation; Austereo; Network Nomis; SAGRIC; and the Department for the Arts and Cultural Heritage through the Film South program. Interstate participants are the Northern Territory Department of Industries and Development, representing media organisations in the territory, and the Australian Film, Television and Radio School in Sydney.

The media project was initially established as a joint EDA/MFP project and funding support was provided to the project by both agencies, but overall management came from the EDA. Both organisations provided funding for project management, two overseas marketing missions—one March 1992 and the other in March 1993—and promotional material including brochures and videos. Until March 1993, MFP Australia had provided approximately \$150 000, while EDA provided approximately \$50 000 plus a direct project officer and administration support.

In February 1993—as was detailed during the Premier's Committee with Ross Kennan—the new MFP Australia board determined that no further funding would be provided for what is now regarded as a South Australian media project that is focusing primarily on development of the media industry in this State. However, the EDA has been notified that DITARD funding of \$50 000 will be provided to the EDA for a study that would relate to the South Australian media project, to the MFP post-production facility project currently centred in Queensland and subject to a satisfactory proposal.

Analyses predict a high growth in demand for media products and services in the Asia-Pacific region in the twenty-first century based on increasing availability of satellite and cable delivery platforms. There is also the merging of information telecommunications and broadcasting technologies, using digital transmission. That is what we did in TAFE: we used telephone lines. First we had 100 telephone lines, then down to four, and then to two, to use interactive television. The South Australian media project aims to gain a share of the growing market based on its networking strengths and strategic market development programs. Estimates are that industry turnover can be increased by \$20 million to \$30 million per annum and direct employment by 200 by the year 1997.

**Mr OLSEN:** I want to put on record my appreciation to the EDA and the work that it did in relation to the Onkaparinga woollen mills at Lobethal and the apparent speed with which that matter has now been concluded. I understand the contract will be signed in the not too distant

future. I would like to put on the record my appreciation of officers in obtaining that. My condemnation is to say that the Minister's misrepresentation of some of the points that I made was not appreciated during the Estimates Committee.

**The Hon. M.D. Rann:** Perhaps you could commend me for my role in the Lobethal project as well, just to round it all off.

**Mr OLSEN:** I have no problem in acknowledging that.

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

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State Services, \$8 291 000

**Witness:**

The Hon. M.D. Rann, Minister of State Services.

**Membership:**

Mr Matthew substituted for Mr Becker.

**Departmental Advisers:**

Mr W.R. Cossey, Chief Executive Officer, Office of Business and Regional Development.

Mr I.W. Hartmann, Acting Director, State Systems.

Mr B.G. Wright, Deputy Chief Executive, Department of Premier and Cabinet.

**The CHAIRMAN:** Does the Minister wish to make an opening statement?

**The Hon. M.D. Rann:** Legislation will be introduced by the State Government in the next few weeks to establish formally the information utility to be known as the Southern Systems Corporation. Basically the public corporation will be run by a board drawn from both the public and private sectors. Southern Systems will forge a number of strategic alliances between the Government and the private sector in the coordination of the Government's information technology, computer software and hardware, and telecommunications needs. It will strengthen the coordination of the Government's information technology needs and use the Government's concentrated purchasing powers to cut costs, improve efficiency and leverage economic development initiatives. It will also manage the introduction of major new information technology projects.

The Government has already signed strategic alliance agreements with Telecom, the US based Digital Equipment Corporation, BHP-IT and Lane Telecommunications, and expects soon to finalise agreements with EDS, IBM-Australia and Andersen Consulting. I met with Brian Finn the Chairman and outgoing Chief Executive of IBM yesterday. Of course, the Government spends hundreds of millions of dollars on information technology, computer hardware and software, and telecommunications each year. The IU will result in a world-class computing and telecommunications system, which will be more efficient and result in cost savings to taxpayers. It has already been estimated that the strategic alliance agreement that I signed with Telecom will save the Government between \$7 million and \$10 million over five years.

In late June I visited the United States for talks with senior executives of Digital in Boston and the giant EDS Corporation, and I spoke to senior executives in Washington. Of course, EDS is owned by General Motors and was founded

by Ross Perot. Digital has been working closely with the Government for many years in developing the concept of the IU. Their expertise in network management is internationally respected and the corporation will continue to play an active role in the Government's information utility activities. Negotiations are continuing with EDS, which has world-class systems management capabilities, and I expect to sign an agreement with the company in the near future.

The Deputy Director of the Department of Premier and Cabinet and former Head of Children's Services, Brenton Wright, will be the Chief Executive of Southern Systems. Mr Wright will work closely with the Government and the private sector in the establishment of the new statutory corporation. The new corporation will incorporate the State Systems division of the former Department of State Services. That will be the building block of Southern Systems.

The board will be chaired by Bill Cossey, Chief Executive Officer of the Office of Business and Regional Development. It will include Peter Hart, Managing Director of Luminis Pty Ltd. Of course, that is the Adelaide University's commercial arm. Mr Hart was formerly the Managing Director of Thorn-EMI. It will also include Stephanie Page, a senior public sector executive with a customer perspective; Joanne Holland, General Manager of IOOF Australian Trustee Limited; and Alastair Hodgson, the Chief Executive Officer of British Aerospace Australia.

Just recently, I think last week or the week before, I joined the Managing Director of Digital, Ron Larkin, in launching the State Support Centre which will support the Government's corporate information technology and network management operations. This centre is the first evidence of our strategic alliances at work. The alliances between the Government and the private sector will involve substantial industry and job spinoffs and high technology developments, including at MFP Australia.

**Mr MATTHEW:** I was interested to hear the Minister's opening statement but, regrettably, some of it becomes too little too late. Over the past 12 months, I have met with senior representatives of major national and international computer companies, and I have been concerned to find that many of them examined initially the Information Utility concept in 1988 and advised the Government that it would not work. The Government is held in low regard by much of the industry following the decision to push ahead regardless.

Before asking this question, rather than have an opening statement, I have a slightly lengthier introduction to the question, because there are some matters that need to be put on the record in order for the Minister to reply. I wish to quote from an article that appeared in *Pacific Computer Weekly* on 13 August 1993, and the Minister would be aware that this is a weekly newspaper publication circulated to computer and communications managers. The article in question is headed 'The Big Lie remains unchallenged,' and says in part:

Adelaide. Last week I attended a seminar at Comtec 93 called 'The Future of IT in South Australia.'

About 40 other people turned up to this afternoon session in which movers and shakers of the State's computer industry were supposed to lay it on the line to attending politicians, bureaucrats and other publicly-funded agenda setters.

The problem was only a few of the publicly funded ones turned up ( and a couple of those skipped out half way through).

What was interesting about the three hour session is less what was said than what was left unsaid.

First of all the Big Lie of the Information Utility remained unchallenged.

The Information Utility (IU)—publicly announced in 1991 by then Premier John Bannon, and publicly funded in the form of bureaucrat-led discussions since 1988—was a proposal to provide the S.A. public and private sectors with a plug-and-play computing and comms network.

Two consortia of IT companies, respectively led by IBM and DEC were to cooperate in joint venture companies with a minority Government shareholding to provide those . . . IT facilities. Six months after Bannon's announcement, IBM bailed out of the project, deciding it was better to chase business than PR fantasies. Two years down the track, the entire joint venture concept has been scrapped in favour of the Government-owned IT provider State Systems being turned into a publicly owned corporation and forming strategic alliances with IT vendors and service providers.

The Big Lie is that the IU is still alive—

**The CHAIRMAN:** Order! I take it that the honourable member is quoting?

**Mr MATTHEW:** These are all quotes, yes.

**The CHAIRMAN:** I guess I am in a position where I have to allow it. I point out that it does involve language that would otherwise be unparliamentary. The member may proceed.

**Mr MATTHEW:** The article continues:

The Big Lie is that the IU is still alive and well, with the only change being that the Government holds all equity instead of sharing it with the private industry.

It is a lie perpetuated by a Government facing electoral defeat within six months and public servants concerned about their cushions in the event of a change of Government.

There is a world of difference between a private company, albeit with the Government holding a minority share, and a publicly owned corporation.

The privately owned company is motivated by profit and efficiency.

The Government-owned corporation is motivated by organisational agendas (appeasing union bosses, political masters and time-servers, among others) and State development issues, with the need for efficiency coming a poor third. Profit does not even get a look in.

The reason the Big Lie was not called at the Comtec seminar is because it would jeopardise potential business with the Government if anyone publicly stated that the emperor was wearing no clothes. Government makes up about half the IT buying power in South Australia—the proportion is higher the larger the computer systems become.

Any businessman or woman who called the Government a liar on the issue would not even get crumbs, let alone a piece of the IT pie.

But, behind the scenes, there is open contempt for the South Australian Government's attempt to manipulate the IT business in a big way.

As one State manager of a multinational computer supplier put: 'There are 350 companies out there in the IT business: What . . . are these Government guys going to do that's different?'

One of the closing paragraphs of the article which I will briefly quote states as follows:

The perpetuation of the Information Utility farce is just a sign that the Government—and policy-making process—has been hijacked by political expediency rather than public interest.

The article was written by a Mr John Harris.

Regrettably, the thrust of that article and the comments therein are consistent with comments I have had from major information technology companies in this State. Those comments have come in the face of invitations to sign strategic alliances, and many companies have been unsure whether they should proceed; some who have proceeded have done so with many question marks. How much has the Government spent to date on the Information Utility, and what is it doing to restore the confidence of information technology in that industry in South Australia?

**The Hon. M.D. Rann:** I put it down to the fact that the member is somewhat inexperienced in this place but, when

you have to come in here on Estimates night and read, as your opening statement, a column by some jerk based on absolute bile and innuendo, it is a pretty sad reflection on you, and you are supposed to be a shadow Minister.

*Mr Matthew interjecting:*

**The CHAIRMAN:** Order! I remind the Minister and the member to address all remarks through the Chair.

**The Hon. M.D. Rann:** A number of strategic alliances have been signed, and many more will be signed. We are trying to achieve a series of things: first, better efficiency; secondly, savings to the taxpayer, which the Telecom agreement certainly provides; and, thirdly, better coordination. No one computer company has more than an 8 per cent share of South Australian Government business, and we want to use our buying power to leverage economic development, which means jobs. I make no apologies for that, and no two-bit journalist's article that is read out as a substitute for an opening statement will persuade me otherwise. I invite the new Chairman of the interim board of the Southern Systems Corporation to respond to the non-political points of your opening statement, including the costs involved in setting up the Southern Systems Corporation.

**Mr Cossey:** One of the objectives of the IU was to save money in relation to the Government's telecommunications and information technology costs. While the IU discussions in terms of the formation of a joint public sector/private sector company were proceeding, State Systems as a business unit of State Services was looking at ways and means of reducing the Government's telecommunication costs, and it has worked hard at rationalising the communications network, starting with voice and data networks within Government. Already the savings from this work have exceeded \$20 million, with annual recurrent savings which are the responsibility of State Systems estimated at \$4 million every year. That gives us 5-year savings of more than \$40 million. The savings will not stop there. With a further consolidation of information technology facilities in the Government, we expect even further savings, and the new board of Southern Systems will develop a business plan which incorporates those savings.

Only recently the Information Utility became part of this portfolio. The estimates of the cost so far within Government in establishing the Information Utility are of the order of \$2 million. At the same time we have been working at rationalising the facilities with the savings that I mentioned earlier having already been achieved. The problem that we had with the original version of the Information Utility was that the business plan put forward for it simply did not stack up. A business plan was produced which showed some possibility of a modest profit for the Information Utility. However, in order to achieve that profit there was going to have to be substantial subsidies by Government which far outweighed the profit that the organisation was likely to achieve.

**The Hon. M.D. Rann:** It is interesting: State Systems makes a profit. State Systems is very well run, very efficient and does make a profit as one of the commercial arms of State Services, of which I am the former Minister. The author of the article referred to by Mr Matthew, rather than being motivated by entrepreneurial spirit, wanted the Government to fund and subsidise his mates in the private sector who gave him the information.

**Mr MATTHEW:** I refer to a joint submission to the Cabinet of 22 March this year signed by the Minister and the Premier, which states, in part:

There is now an increasingly held view within Government circles that the Government cannot justify being a shareholder in the Information Utility unless the IU is a profitable enterprise from its inception. However, it seems that in order for the organisation to be profitable the Government will need to make considerable and questionable concessions. . . With that in mind, we would rather not put additional effort into establishing a cast iron case for the Government as a shareholder but would prefer to explore alternatives to the original concepts of the IU while keeping its objectives firmly in mind.

Of course, the Minister would say that that has been done, and hence the announcement of State Systems as a corporation in legislation—

**The Hon. M.D. Rann:** Southern Systems.

**Mr MATTHEW:** —or Southern Systems, as the Minister now tells us it will be called. That aside, it still establishes a case for the Government's being a sole shareholder. Why has the Minister proceeded down the path of establishing the Government as a sole shareholder through State Systems, and to what risk exposure does that place the South Australian taxpayer?

**The Hon. M.D. Rann:** What we have done is avoid that risk exposure. When I was given a presentation about the business case and I looked at the figures with my officers, as the honourable member would expect us to do, I did not believe that the business case for Information Utility Mark I stacked up. To me, it seemed to be too great a risk for the State Government. We wanted to enshrine in partnership the private sector and the public sector through the concept of the Information Utility, which everyone acknowledged from the start was a concept that was being progressively developed.

We have now sought to corporatise State Systems with an eminent board—and I am sure that members opposite would not want to disparage in any way the likes of Alistair Hodgson, Joanne Holland, Stephanie Page, Peter Hart or Mr Cossey—in order to ensure that the State's interests are preserved, to use State Systems as a fundamental building block and a central coordinating mechanism and to ensure better bang for our buck in terms of economic development spin-offs.

**Mr MATTHEW:** My second question refers to the Information Utility's moving into State Systems. I also have in my possession a memorandum from Mr David Major dated 18 March 1993, which was sent to Mr Bill Cossey, Mr Peter Crawford, Mr John Shepherd, representatives of DEC, Anderson Consulting, Telecom and Lane Communications. The memorandum was an advance assessment of the Cabinet submission signed by the Premier and the Minister to which I referred earlier. It concludes:

The major conclusions drawn as a result of this assessment of the Cabinet recommendation are: it will not achieve the stated economic and internal efficiency objectives of the Government; it involves significant risks, financial, legal and otherwise; it is contrary to the Government's stated policy of reducing its involvement in IT project implementation; and, whilst there are marked differences, there are also dangerous parallels with the State Bank. Does the Government really want to become a supplier of IT services?

I therefore ask the Minister: what is the significance of the risk that is to be borne by the South Australian taxpayer through the Government's insistence that it should become a sole shareholder in State Systems contrary to the assessment that was undertaken in the Cabinet submission that has resulted in the decision he has announced tonight?

**The Hon. M.D. Rann:** The honourable member is too busy reading articles in magazines; I do not think he listens to replies. The fact is that we had a good look at the business case for the concept of a private company, which involved the

Government as an equity partner with various private sector companies in the provision of IT, and it did not stack up. Would the honourable member expect us to then proceed with Information Utility Mark I, or would he expect us to act not only in the interests of his mates—and I know who they are—but in the interests of taxpayers? We acted in the interests of the taxpayers by thinking of the best way that we could save the taxpayers money, leverage economic developments and also achieve efficiencies and better coordination. I invite Mr Cossey to comment further.

**Mr Cossey:** In making his comments, Mr Major was looking at the business case purely from the point of view of the Information Utility. In fact, there was a small projected surplus in the business plan. However, as I said before, in order for that business case to be sustained, the Government would have to subsidise, to quite a large amount, the operations of the Information Utility certainly further than the expected surplus. In respect of the other comments, it was very hard for people inside Government to really understand where Mr Major was forming those views. In a sense, Southern Systems, or a State Government version of the Information Utility, is really a continuation of the existing State Systems, which has operated successfully within the Government for the past 20 or 25 years. I believe that there is no possibility of an exposure—certainly of the order of the State Bank. I think Mr Major's comments were rather extreme.

**The Hon. M.D. Rann:** The fact is that State Systems operates profitably, and Southern Systems will also operate profitably.

**Mr MATTHEW:** Considerable mention has been made of financial analysis and examination of the original business plan, and I accept the Minister's statement, obviously, that the original business plan was found to be deficient. I would like to read from a memo that related to that original deficient business plan, because it is important in this context. The memo is dated 22 February 1993 and is from Bill Cossey, CEO, of the Office of Business and Regional Development, to Mr John Shepherd, Director of Information Policy, the Department of the Premier and Cabinet, and David Major who was, at that time, Acting Chief Executive Officer of the interim Information Utility. The memo is about the Government review of the Information Utility corporate plan which we have been talking about. In part, it states:

As a corporate plan, the document is probably strongest in the area of outlining where the company wants to be and weakest in defining the way in which it will get there.

Further, it says, under the heading 'Financial':

The report was clearly produced in a hurry. As a result, there are quite a few errors, some more significant than others. It is important that these be corrected. It is recognised that some of the figures are regarded as optimistic. This may be perceived to be acceptable, as successful businesses have been built on this sort of optimism.

It concerns me that the first report was produced in a hurry; it was inaccurate, particularly in the financial area. How do we know that the latest figures the Minister has given to us, from yet another report, were not produced in a hurry? What substantiated costings can the Minister now provide, and perhaps table to this Committee, to conclusively demonstrate that continuing with the activities of the Information Utility within a corporate Southern Systems will save the taxpayer money rather than cost the taxpayer more money?

**The Hon. M.D. Rann:** We have a demonstrated track record. The fact is that State Systems has operated successfully, as Bill Cossey said, for 20 years. What we are doing is



corporatising that as a public authority, and we are injecting into the process some leading talent from the South Australian private sector. I expect that talent from the private and the public sectors to contribute to an even more successful version of Southern Systems, building on the very successful building blocks of Southern Systems. The fact is that there were deficiencies in my view and in that of others in the business plan developed by David Major, and that is why, I, as Minister, rejected that plan.

**Mr Cossey:** Without having the memo in front of me, I am not sure exactly which document the honourable member is referring to. I should point out, however, that Mr Major produced a first cut of the business plan prior to Christmas and, in the light of comments that he received, that business plan was revised quite substantially. The first business plan was extremely optimistic; in fact, it was totally unacceptable, and it could well be that my comments related to the first of the business plans. The second cut at it was much less optimistic but still did not stack up.

**Mr HAMILTON:** This question has raised some concern in my electorate, and I have waited for this opportunity to get it on the public record. Will the Minister give a guarantee that the State Supply depot at Seaton and its employees will remain? I ask that question because there are rumours in my area that State Supply will be closed should there be a change of Government.

**Mr MATTHEW:** I take a point of order, Mr Chairman. I believe that the honourable member is referring to a budget line that was closed in Estimates Committee B last night. He is referring to State Supply. This budget line is program 5, State Systems.

**The CHAIRMAN:** This is in fact State Systems. I think I have to uphold the point of order. The honourable member still has two opportunities to ask questions.

**Mr HAMILTON:** I will have to refer back to that page.

**Mr MATTHEW:** I once again refer to State Systems' move to a corporate form in the mode of Southern Systems, and I quote from the Cabinet submission that I mentioned earlier. It states, in part:

The overwhelming conclusion from the work of recent months is that we must achieve greater value from the Government's approximately \$300 million per annum expenditure on information technology.

Further, it states:

The non-directive approach of the Government Management Board in keeping with the increased responsibilities of Chief Executive Officers, has led to several undesirable outcomes.

And they are listed as follows:

- We have probably purchased somewhere in the public sector every brand of computer hardware and associated software that has ever been marketed. Nowhere is this more apparent than in office systems.
- Large numbers of people are involved in the tasks associated with purchasing, upgrading and maintaining these products.
- No computer supplier has more than 8 per cent of our public sector market, meaning they have little base from which to invest in the State.
- There are several examples of individual agencies simultaneously but separately pursuing large scale system development in parallel with each other (for example, plant management systems, customer billing systems, financial management systems).

This has been exacerbated by the fact that each initiative of each agency has been processed both through the Government Management Board and the State Supply Board as a separate event. Opportunities to link with similar initiatives in other agencies have rarely been pursued and, where they have, have relied entirely on the goodwill of the agencies concerned.

With those statements in mind, and particularly the Minister's announcement of the formation of Southern Systems, I ask what extra Government information technology responsibilities will be absorbed by this new corporation in order to address those problems outlined in his memo to Cabinet.

**The Hon. M.D. Rann:** We are doing this in order to achieve greater coordination. State Systems, as I have said on three occasions, is successful and we are trying to ensure much stronger coordination throughout the public sector to ensure that there is a coherent strategy throughout the public sector. We want to set the example for other Australian States in terms of tackling IT needs. I will invite Mr Brenton Wright to talk about the coordination mechanism of the Information Technology executive.

**Mr Wright:** In my current role, until tomorrow at least, of Deputy Chief Executive of the Department of the Premier and Cabinet, I have been very closely involved in the review of Government approaches to information technology in this State, and the quote that the honourable member has just produced from the Cabinet submission has been responded to in a number of ways. Obviously, the creation of Southern Systems will go a long way towards dealing with that overlap and uncoordinated approach that the honourable member referred to, but in addition a body called the Information Policy Executive has been created which is chaired by the Chief Executive of the Department of the Premier and Cabinet, and it has a number of CEOs from the public sector and a number of private sector members on it.

The task of that body is to ensure that there is proper coordination of purchasing planning and IT development in Government. That function will now work parallel with Southern Systems Corporation to ensure that there is indeed a very fulsome coordination of effort in this area.

**Mr HAMILTON:** What disaster recovery systems or plans does State Systems have in place?

**The Hon. M.D. Rann:** I think it is fairly true to say that if I am known for anything it is in terms of my commitment to IT, for which I am renowned. It is the integrity and security elements, and also disaster recovery. State Systems has formal contingency plans in place to recover from the failure of various components necessary for continued operation of the installation, that is, an alternative power grid and recovery of systems and data from off-site backup. A project was approved late in 1992 for the development of a formal business recovery plan to cover all business functions. The plan was completed by the end of June 1993 and is now in various stages of implementation.

A sub-project has begun to arrange on-site services for critical Government systems defined earlier in the project. Tenders will be sought from organisations able to provide alternative facilities. The implementation of an alternative site is particularly complex because of the communications requirements. A tested hot site will be implemented for the critical systems by April 1994. Disaster recovery for the Government communications network has been approached by building in redundancy to the network wherever possible, particularly at key sites—and that is something I am very keen on—depending on the nature of the failure provisions that exist, whereby communications traffic can be diverted to other paths through to destinations. The public switch network is also used as backup in some instances. I will keep members abreast of all my hot site activities.

**Mr HAMILTON:** What is the status of the total quality management project at State Systems?

**The Hon. M.D. Rann:** The TQM project at State Systems, known internally as total quality improvement or TQU, is well advanced. Project work to date has concentrated on education and involvement of people to ensure the organisation continually moves towards a quality culture and documentation of work processes in the form of procedures.

Several quality procedures have been implemented, and benefits to the organisation and customers have resulted. The most effective procedure to date has been the project management procedure. All projects conducted by State Systems, both internal and external, use the structure control and reporting defined in this procedure to deliver results on time and within budget while adhering to predefined quality standards. Installing the TQI quality system has taken longer than planned because of the work involved in documenting the all-important work processes and implementing the control and evidence of compliance requirements of the AS3901 Australian standard.

For marketing reasons, State Systems has decided not to apply for formal certification of its quality systems by Standards Australia until the organisation has a very high degree of confidence in being certified the first time. It is expected that this will occur during the first half of 1994.

**Mr MATTHEW:** I refer to page 405 of the Program Estimates. As to the relocation of ETSA's computing facilities to State Systems, I understand that ETSA has a 9021 mainframe IBM compatible PCs and digital equipment. I also understand it has a significant network. Because the Minister is so familiar with these systems, I ask him: Does State Systems now have responsibility for all these things that were owned by ETSA and, if so, are they being used solely for ETSA or are they being used for other purposes as well?

**The CHAIRMAN:** Before calling on the Minister, the honourable member did indicate that he had two or three other questions that he wanted to put on the record. He should

do that now lest we run out of time. The Minister can respond as he sees fit.

**Mr MATTHEW:** With the agreement of the Minister, I table two questions on notice, one concerning the new corporate form being taken on by State Systems, and the other as to Ministerial staff.

**The Hon. M.D. Rann:** I am happy to respond to those questions, but as for Harry the ETSA IBM main frame computer, I will ask Ian to respond.

**Mr Hartmann:** As a result of the registration of interest for the relocation of equipment, the equipment does not belong to State Systems. It was relocated by ETSA, so the equipment belongs to ETSA.

**Mr MATTHEW:** One further question which the Minister can take on notice. I understand that State Systems is also providing E&WS with its networking facilities in conjunction with its Tandem contract. In view of the proposed amalgamation between ETSA and E&WS, and State Systems' involvement with both networks, why has it been necessary to spend \$38 million on the Tandem contract?

**The Hon. M.D. Rann:** I will put that on notice and provide the member with a report.

**Mr HAMILTON:** Can the Minister provide information relating to price variations at State Systems and indicate trends in the future?

**The Hon. M.D. Rann:** I will put that one on notice.

**The CHAIRMAN:** In view of the effluxion of time, I declare the examination of the vote completed. I draw the Committee's attention to the draft report, copies of which are before members.

**Mr HAMILTON:** I move:

That the draft report be the report of the Committee.

Motion carried.

At 10 p.m. the Committee concluded.