

HOUSE OF ASSEMBLY

Wednesday 14 September 1994

ESTIMATES COMMITTEE A**Chairman:**

The Hon. H. Allison

Members:

Mr R.P. Bass
 The Hon. Frank Blevins
 Mr M.R. Buckby
 Mr S. Condous
 Mr K.O. Foley
 Ms A.K. Hurley

*The Committee met at 11.3 a.m.***Witness:**

The Hon. S.J. Baker, Deputy Premier, Treasurer.

Departmental Advisers:

Dr P. Boxall, Under Treasurer.
 Mr J. Hill, Deputy Under Treasurer (Economic).

The CHAIRMAN: The Committee will be conducted under Parliament House Standing Orders, not Sessional Orders. The normal rules of debate and conduct apply. If the Minister undertakes to supply information at a later date, it must be in a form suitable for insertion in *Hansard*, and two copies must be submitted no later than Friday 30 September or 7 October to the Clerk of the House of Assembly.

I propose to allow the lead speaker for the Opposition and the Treasurer to make an opening statement of about 10 minutes, if they so wish. There will be a flexible approach in respect of giving members the call, based on three questions per member and alternating sides, commencing with the Opposition lead speaker. Members yesterday were also allowed brief supplementary questions to conclude their line of questioning. Questions must be based on lines of expenditure in the Estimate of Receipts and Payments, parliamentary paper 9. Reference can be made to other documents, for example, the Program Estimates, the Auditor-General's Report, and so on.

We had an instance yesterday where a member of the Opposition asked the Premier to table a document. I remind members that there is no formal facility for tabling documents before the Committee. Documents can be supplied for the Chair to distribute to members of the Committee. Incorporation of material in *Hansard* is permitted on the same basis as applies in the House, that is, that it is purely statistical and limited to one page in length.

Deputy Premier and Treasurer—Other Payments,
 \$1 207 070 000

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

The Hon. S.J. Baker: I do not wish to make an opening statement now, but I will do so prior to consideration of details in respect of the bank.

The CHAIRMAN: Does the member for Hart wish to make an opening statement?

Mr FOLEY: I do not wish to make an opening statement. I will be handling the Opposition's questions in respect of this line, and Treasury questions will come from the shadow Treasurer, so there is no need for me to make an opening statement.

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

Mr FOLEY: I understand that the Asset Management Task Force is preparing a number of Government assets for sale. For what is the \$5 million allocated? It is a substantial amount and I would appreciate some detail. Will the Treasurer place on the record those assets for sale?

The Hon. S.J. Baker: The assets for sale have already been announced. Major items already in the public arena involve SGIC and PASA, which is coming on-stream very shortly; the Bank of South Australia; and a number of other smaller entities, including Enterprise Investments, which is proceeding at the moment. Other examinations are taking place of the collective assets of Government, particularly in terms of accommodation, to determine whether there can be further sales, as outlined in the statement prior to the last election. It is consistent. The Bank of South Australia is not covered by the Asset Management Task Force but it is included in the questions relating to assets for sale.

In terms of the 1994-95 budget, there is a \$5 million allocation; obviously we expect some off-sets against that with the sale of assets. We have had an indication that the total budget for the Asset Management Task Force will be about \$9.3 million, and there will be small board fees. Salaries and related payments amount to \$1.863 million; accommodation \$.393 million; consultants \$6 million; and administrative expenses \$.94 million. As members of the Committee can understand, the consultancies that will be brought to bear during this year will relate particularly to SGIC and PASA.

Mr FOLEY: What are the details in relation to the \$6 million for consultancies for the sale of SGIC and the Pipelines Authority? My understanding is that significant work has been undertaken to prepare PASA for sale and, indeed, quite a lot of work had been undertaken prior to the change of Government. The sum of \$6 million is a significant, indeed an extraordinary, amount of money. How is that \$6 million broken up?

The Hon. S.J. Baker: Some of that information is obviously confidential at this stage—the extent that we are dealing with prospective expenditures and that we have worked towards meeting the commitment to corporatise SGIC and to get PASA ready for sale. A number of other consultancies is involved. We have allocated \$6 million with some understanding that that money will be wisely and competitively spent.

The Asset Management Task Force has called for expressions of interest from outside Government in relation to matters about which the Government has no expertise, and those specialised areas include stockbrokers, corporate advisers, underwriter solicitors, property consultants, merchant bankers, insurance advisers, information systems, general consultants, accountants and auditors. We have had 208 expressions of interest to date so we can look at what is available and when we do ask for a specific service to be

provided, which cannot be provided within Government, we can get a competitive market place in which people can tender for particular projects.

No breakdown is readily available at this stage on the \$6 million, but I can certainly assure the honourable member that we will be providing details at the end of the year on the ultimate disposition of those funds and the reasons why certain amounts of money were being spent in particular areas. The sum of \$15 million was provided for the State Bank to go through the corporatisation process. We are talking about a number of areas, and in particular two significant entities in the form of PASA and SGIC. So, on that basis, we expected to spend approximately \$6 million, but obviously every dollar saved means a lower cost to the budget.

Certainly, I can assure the honourable member that all these moneys will be accounted for; they are being checked; and every consultancy is competitive. We check to see whether those resources exist within Government and, if they do not, we have to get them from outside. As the honourable member would appreciate, it is a reasonably expensive exercise to get the professional expertise that we need.

Mr FOLEY: The sum of \$1.863 million for salaries for the Asset Management Task Force is a sizeable allocation. How many staff will be involved in that? What salary has been paid to the Manager of the task force, Dr Roger Sexton?

The Hon. S.J. Baker: The Asset Management Task Force currently employs a total of 19 permanent and part-time staff, including the Chairman, Dr Roger Sexton. As the honourable member may be aware, the task force is located on the twenty-seventh floor of 91 King William Street. I will obtain the exact details of that salary arrangement for the honourable member. I can remember the approximate details but I would prefer to get accurate information.

The CHAIRMAN: It is 30 September for the Treasurer's lines.

The Hon. S.J. Baker: I will be returning from overseas at about that time, but I will try to accommodate that matter.

The CHAIRMAN: It is a requirement that the information be made available. So, as soon as the departmental officers can work on it for the Treasurer, the information would be appreciated.

Mr FOLEY: I again refer to the Asset Management Task Force. Exactly what is for sale? Prior to the State election the Treasurer, in Opposition, said that he believed large tracts of Government land could be used to substantially reduce the State's debts. I do not have those figures in front of me but my recollection was that the Government hoped to find somewhere in the order of \$1 billion of Government land that would help its debt reduction strategy. Has the Government located land to the value of \$1 billion (I think that was the figure quoted)? Also could the Treasurer clarify the ongoing saga of the Entertainment Centre? In the Estimates Committee yesterday there was a contradiction from the Minister for Tourism over the future of the Entertainment Centre. According to the Minister for Tourism it simply is not for sale; however, the Treasurer has said that it is still on the list.

The Hon. S.J. Baker: That \$1 billion is an incorrect statement. The honourable member may recall that we said that total assets possibly available for sale amounted to approximately \$1.3 billion. In that \$1.3 billion there was a clawback from the GAMD (or now the SAAMC) operations, and the honourable member can draw his own conclusions as to what the net value of that is. There also obviously were items such as the Pipelines Authority, SGIC, and smaller

items like Enterprise Investments. There also was the issue of Government accommodation and whether we could package that up and dispose of excess far better than was done in the past. Further, there was the issue of whether we would go into an arrangement with the sale or lease-back of Government employee housing.

There was the issue of what we would do in terms of forward contracts on our forests without selling the forests. They all formed part of the \$1.3 billion that we had examined *in toto*. Importantly, we said that we would realise around \$1 billion net benefit to the State in terms of reduction of State debt because some of those entities we have mentioned have a debt profile. The sale had to realise a \$1 billion reduction in our State debt and we would still suggest that that is the target that will be met.

Mr BUCKBY: Can the Treasurer advise what progress is being made in responding to the full range of recommendations made by the Commission of Audit?

The Hon. S.J. Baker: The May financial statement in the recent budget presented the Government's clear and unequivocal response to some of the most important Audit Commission recommendations, including the elimination of the deficit in the non-commercial sector by 1997-98, the implementation of a strategy to reduce and eventually eliminate the unfunded superannuation liability and targets for lowering debt. Given the parlous state of our public finances inherited from the last Government, these key recommendations required urgent attention. The Government has therefore moved to provide a quick and definitive response, as we have seen by the May statement and reinforced by the budget.

The Audit Commission makes about 336 recommendations, a large number of which relate to Treasury operations as well as other departments. They are progressively being responded to by statements in the Parliament or publicly or being worked through, so that by the end of October we will have some responses to all the recommendations—an acceptance, a rejection or some variation.

Mr BUCKBY: I refer to a speech in the debate on the Appropriation Bill on 6 September, when the Leader of the Opposition referred to a claimed blow-out in debt of \$109 million at June 1995. Can the Treasurer shed some light on this issue?

The Hon. S.J. Baker: Following the 31 May financial statement and in response to a question from the Leader of the Opposition in June 1994, I forwarded a letter to the Leader indicating the nominal and real term debt levels consistent with chart 4 of the 31 May financial statement. That chart was titled 'Total public sector debt: nominal terms', and I make the point that it is nominal terms. The footnote indicates that it includes future proceeds associated with the sale of the State Bank and recovery of net assets from the South Australian Asset Management Corporation.

For the purpose of the 1994-95 financial statement it was decided for reasons of commercial confidentiality that the debt projections would exclude the prospective proceeds of the sale of Government business and associated Commonwealth compensation. So, we excised those payments for reasons of confidentiality, because we did not want the prices for the assets we would be selling to be apparent. Unfortunately, despite statements in the Parliament, this has led to some confusion within the Opposition, and the statement by the Leader of the Opposition is incorrect.

There has been some improvement since the May financial statement. On chart 4 we said that there was an

\$8 977 million net debt estimate as at 30 June 1995; in real terms that converts to \$8.71 billion. The impact of the Commonwealth compensation is \$234 million nominal, and in real terms that is \$227 million, although there is some later payment, which is being split. In the financial statement we had some improvements: \$121 million net in nominal terms and \$117 million in real terms, so the 1994 financial statement, table 3.4, excluding the process of Commonwealth compensation regarding the Bank of South Australia, indicates \$9 090 million in nominal terms and \$8 825 in real terms.

Mr BUCKBY: What progress has been made regarding the introduction of a comprehensive State tax equivalent regime to apply to State trading enterprises?

The Hon. S.J. Baker: Under the TER scheme, as it is called, which is a Commonwealth Government innovation and which has been agreed by the State Premiers and Treasurers, taxation will be levied against our trading instrumentalities and then paid to the Commonwealth. The areas are income and wholesale sales tax of wholly owned State trading enterprises. If the taxation is paid to the State Government, obviously the State Government retains that income.

Where the wholesale sales tax is paid, the State Government will collect that amount and forward it to the Commonwealth. In effect, the State Government will be responsible for the collection of all taxes which are nominally due to the Commonwealth and then there will be some forward payment. The system is supposed to commence on 1 July 1995. There is agreement with the Commonwealth that, should any of these State trading enterprises be subject to sale, they will not have to comply with the new regime. We are expecting the Commonwealth Treasury to issue a statement outlining the Commonwealth Government's legislative intentions in this area very shortly.

Membership:

Mr Quirke substituted for Mr Foley.

Mr QUIRKE: I do not intend to take this line too far because there are more important sections yet to come and I am mindful of the time, even though we have only just started. This may be the point at which to ask about a couple of entities which I understand are the result of consultancies, and the Treasurer may be able to advise us accordingly. I understand that Enterprise Investments is for sale. What is the position with SAGRIC International? I understand that the Treasurer or the Premier is one of the two shareholders in that enterprise.

The Hon. S.J. Baker: The sale of Enterprise Investments is proceeding. We advertised it for sale in the national press and in Singapore, Hong Kong and the United Kingdom on 1 July. An information memorandum was circulated to all interested parties, and we have had 36 expressions of interest from Australia and 22 from overseas. The indicative offers closed on 12 August. We are now going through an evaluation of the expressions of interest and then we will go through a due diligence stage. All being well, we expect and hope that Enterprise Investments will be sold by the end of October.

I have not discussed what the future holds for SAGRIC International. I do not know of any indication at this stage that it will be sold, and I have not discussed the matter with anyone. There are some issues associated with SAGRIC which are being tidied up in terms of returning the organisa-

tion, which has served South Australia well in the international arena with respect to advice, particularly in agricultural areas, to some of its original focus. That has been discussed, but there has been no discussion in relation to its future sale.

Mr QUIRKE: One question which has come to the Opposition with respect to SAGRIC is that it seems to have a very large operating cost. Are you having a close look at this; and is this the result of any of the consultancies under this or any other line? Can you tell us about payments to the Chairman and the various board members of SAGRIC International and whether any of those persons previously held senior positions in that enterprise?

The Hon. S.J. Baker: I cannot answer any of those questions asked by the honourable member. Whilst I am a shareholder, and I am a shareholder in a number of areas of Government, as the honourable member would appreciate, I do not have direct responsibility for SAGRIC. It would be appropriate to raise that issue with the Minister for Industry, Manufacturing, Small Business and Regional Development (Hon. John Olsen) during his Estimates Committee. The only information I have received is that there does have to be a better focus for the organisation, and we are currently looking at the structure and finance of that organisation, but that is only by way of conversation between the Minister and me.

The CHAIRMAN: I assume that the Treasurer is shareholder by virtue of holding title on behalf of the Government?

The Hon. S.J. Baker: That is correct. They trust me with a lot of shareholdings.

Mr BASS: With respect to 'Other Payments' on page 46, what action has been taken to establish a combined corporate services division for central agencies, and what level of savings is anticipated?

The Hon. S.J. Baker: With respect to the issue of making Government more efficient and effective, corporate services is one area that has been identified on a number of occasions and recently in a consultancy that was commissioned by the previous Government. There was some suggestion in that report that savings of up to \$70 million would be forthcoming to Government if it looked at its corporate services, reduced duplication, improved the use of technology and considered a number of other initiatives. It is pleasing to report that these initiatives can cross portfolio boundaries because agreement was reached in June this year between the Premier and me to form a combined Corporate Services Unit for the Department of Treasury and Finance, Premier and Cabinet, the Office of Commissioner for Public Employment and the Office of Multicultural and Ethnic Affairs.

The agreement will formally take effect on 1 October this year and will cover the services provided by administration, finance and human resources. In addition, a proposal is currently under consideration to form a combined information and technology support group taking account of the Government's outsourcing initiatives. The full benefit of the corporate services rationalisation will emerge when the central agencies not currently housed in the State Administration Centre move to the building later this year. The Department for Treasury and Finance is scheduled to move there at the end of October, followed by the Office of the Commissioner for Public Employment during December 1994. We estimate that, by the amalgamation of these services and not having services simply applied to one agency, at least for us there will be a combined savings across the two portfolios of approximately \$500 000 per annum.

The CHAIRMAN: Before I close that line, I notice on the list which has been provided, under 'Items for discussion', we have the State Bank of South Australia corporatisation and a whole range of issues. They are also referred to in the printed list under Treasury and Finance. Is it the Minister's intention, if we close this line, that debate will be permitted on those matters under the Treasury and Finance line?

The Hon. S.J. Baker: I would leave that to your discretion, Mr Chairman. It may be best to close off all the lines at the end. That would probably be appropriate. We can, through another mechanism, visit the items listed here. So we do not restrict the Committee in any way, perhaps the Committee can deal with each line as it arises and then move that they all be agreed to at the end of the day.

The CHAIRMAN: It is a little difficult for the Chair to have multiple lines open at the same time. The Chair also recalls that we have had two conflicting pieces of correspondence over the past few years with regard to what is and is not allowed for questioning. If the Minister is open minded about it and he has plenty of officers behind him and his intention is quite clear to open these other matters, I will close the 'Other Payments' line and carry on with the 'Treasury and Finance' line. There being no further questions on Other Payments, \$1 207 070 000, I declare the examination of the vote completed.

Treasury and Finance, \$17 228 000

The CHAIRMAN: I declare the proposed payments open for examination, and refer members to pages 45 to 47 in the Estimates of Receipts and Payments, and pages 51 to 68 in the Program Estimates. Does the member for Playford wish to make an opening statement?

Mr QUIRKE: Yes, Mr Chairman. The Opposition is interested in many of the economic parameters which this budget in many respects seems to have avoided. One of those areas is the question of the underlying deficit each year and when the Treasurer believes that the budget will be drawn into balance. A number of statements were made prior to the last election about an effective debt reduction strategy. One of the points raised at that time was that, by 1995-96, the budget would be brought into balance and that, in the first term of this Government, there would be sufficient asset sales to reach the point where a significant reduction in the overall debt would take place.

From what we have seen in this budget so far, we have not been able to put a finger on quite a number of these issues. Some of them are addressed in the budget, but we notice that they are buried under a lot of figures. As a consequence, the Opposition has some concerns about, first, the growing debt year to year and, secondly, the reliance on asset sales to be able to achieve a reduction in the overall debt.

The Hon. S.J. Baker: I refer the honourable member to page 3.2 of Financial Paper No. 1, where it is evident what our strategy comprises for the underlying deficit for the non-commercial sector. We recognise that the commercial sector is not in deficit and that the non-commercial sector certainly is in deficit. We have provided a clear indication of our commitment to reduce the underlying deficit so that in 1997-98 there will be a surplus. That depends on a whole range of factors, including Federal Government policies. As we know, the most dramatic impact on our strategy to date

is that the Federal budget was inflationary and did not draw back on the amount of money that was circulating.

In fact, it had a very high deficit in a growth period, which is counter to the conventional wisdom of how one does not pour petrol on a fire. That is exactly what the Federal Government has done and the impact has been felt through the financial markets, and they have already recognised that the budget is inflationary. There is a cost to the State Government. We had our estimates in February, we had the budget put down by the Federal Treasurer, and the difference was \$170 million in increased interest payments that had to be managed by this Government. In fact, that should not have occurred at all.

The budget strategy was quite clear and the Federal Treasurer failed the test miserably, and we are all going to pay the price. It is not only the fact that interest rates have risen on the expectation, but we believe there will be pressure on imports and we have already seen the balance of payments blowing. We also believe that there will be enormous pressure on wages as a result of the growth that has taken place and, therefore, we perceive that unless the Federal Government takes action in the near future we will have some continuing difficulties at least on the interest front. That is not to say that it will not act but we have seen no concrete sign that the Federal Government has that issue under control. I refer the honourable member to page 3.2 of the Financial Statement, because our determination to eliminate the deficit is clear. As the honourable member would understand, that is critical to the reduction of our debt in the longer term.

Asset sales will occur over that period and we are confident of the net \$1 billion outcome that we spoke of previously, and already significant initiatives have been taken which were outlined previously. For us, the issues are that we have our budget under control and we have our own clear direction. The only difficulty we face is what will happen with the Federal Government's policies, and that is a matter of concern.

Mr QUIRKE: When he was shadow Treasurer, the Treasurer made a promise that the deficit on the recurrent account would be brought into balance by 1995-96. From a close reading of this budget it appears that that promise is not going to be kept. Is that right?

The Hon. S.J. Baker: We said it would happen over four years and we also talked about a longer term time frame for budgeting than the previous Government accepted in its 22 April 1993 statement. We then sat down with the figures and it was clear that we could bring the recurrent budget under control. It will obviously be brought under control in 1996-97, so the adjustments made were a combination of factors, including some hidden factors in the budget that we did not appreciate at the time. We have already made the public aware of those issues, plus the issue of interest costs that increased dramatically in such a short time.

They were some of the issues that we had to grapple with. We believed it was appropriate to set in train a process whereby we had a strategy for providing the best quality of services that could be provided with the budget savings targets that we put in place. The alternative would have been to reduce dramatically the recurrent outlays to a point where there would have been some difficulties created for many of our agencies and the lack of continuity of services. A whole range of factors was taken into account in framing the budget.

Mr QUIRKE: Given that the Government has been unable to meet the previous Government's debt reduction targets, can the Treasurer outline what his Government's

annual targets are for debt in terms of real cuts to net debt and debt as a proportion of GSP, or has the Government abandoned having such annual targets altogether?

The Hon. S.J. Baker: I am not sure whether the honourable member has appreciated the detail provided in the financial statement which, I think, is one of the most transparent documents in terms of people's understanding of where we are today and where we intend to be. I refer the honourable member to page 3.6 of that document, because it clearly shows on the measurements that most people accept that the net debt as a percentage of GSP will decline to 23 per cent by 30 June 1998, and that excludes the proceeds from asset sales which will further reduce the debt. If everything goes according to plan, and it is my intention that it should, we would see that our State debt to GSP would be reduced below 19 per cent. I remind the Committee of exactly where we are today, which is around 27.4 per cent. If that is achieved, it would be the most remarkable turnaround in the history of all States, including Victoria.

Mr BASS: In the Treasurer's speech on the Supply Bill on 22 February, he indicated that the development of the State Asset Register was a high priority for the Government. What progress has been made on this matter? I refer to page 45, program 4.

The Hon. S.J. Baker: It was of considerable concern to me as Treasurer to find, when I walked through the doors on 13 or 14 December, such enormous disarray in the record keeping of Government. The information published by the previous Government in its reports and budget reports indicated asset values but, when we looked at the books, we did not have a clear indication of what assets we actually owned. There was not a comprehensive list of assets. Certainly, there was no comprehensive list of valuations and so we had to start from scratch.

We have been in the process of developing a comprehensive register of all the assets owned by the various Government agencies and it has been a high priority. It is important to understand that it is fundamental to good management within Government, as members would appreciate, because accrual accounting will be required by the Federal Government and it is agreed by all the States that it will be in place for the 1996-97 financial year. An important component of that is how to account for your assets, what they are valued at on your balance sheet and what depreciation you apply. Control of finances is important and I have already commented on the importance of contributions to the State budget and the need to provide a return on assets.

What this Government found when it came into office was quite alarming. It found that agencies had categorised their assets into more than 3 000 separate classifications. That is an intolerable situation. This Government will install a common classification system; it will reduce the categories to 70, and a process for valuing those assets will be put in place, which we believe will be endorsed by the Federal Government. That is a matter under consideration at the moment at the Federal level as to what accounting standards you apply in terms of valuation of assets.

We have a methodology recommended by the Industries Commission; it is gaining acceptance across Australia. We are proceeding on the basis that it will be acceptable, so that we will have, within the next two years, not only an asset register that tells us what we own and where we own it but also some of the important details of those assets, which are vital to the construction of accounts for budgetary and other purposes. It is an extended process. It has started but it has

by no means ended. Therefore, we will be pressing on with it so that within the next two years we will have exactly what we should have had when we walked into government.

Ms HURLEY: The Government announced a wage freeze in its financial statement for both 1994-95 and 1995-96. The board estimates show that an allowance has been made for a 2 per cent wages catch-up in 1996-97 and another 2 per cent in 1997-98. However, the economic assumptions in the budget estimate that inflation will be running at 3 per cent in each of those years. What is the Government's policy if wages increase by more than 2 per cent in 1996-97 and 1997-98? Will savings be made in other areas to compensate, or will there be further jobs cut?

The Hon. S.J. Baker: The issue raised is very critical to the total budget strategy that we are undertaking. From the Government's point of view, there is a formula in place. We have to be able to reduce our deficits and that means we are making savings in areas where we believe those savings can be made without affecting the fundamental services of Government. Already the ministry in each of its portfolio areas has looked at the four year strategy to achieve the savings targets. By year four (1997-98) it is hoped that our savings targets will achieve a \$300 million reduction off the outlays in the non-commercial sector.

That means that, if we are to hit those early targets and maintain our targets throughout that four year series, the budget estimates we have today must be sustained. What the honourable member said is quite correct. We have a number of claims in the market place today pressed forward by the unions. The unions say that there should be a wage rise for public servants. There are no contingencies within the Government to pay for those wage rises. Therefore, if the wage rises are agreed to by the commission, there will have to be a commensurate reduction in employment to produce the level of savings, as outlined in the statement. That means for this year and next year that situation will prevail and, of course, for the following two years the forward estimates show that we have an allowance for a 2 per cent wage growth.

Forward estimates are there for a very important purpose: they shine the light into the future and ensure that we keep on track. Different circumstances may well prevail; for instance, the Federal Government might provide us with more money or there might be performance lifts that improve our budgetary situation. So, the extent to which those parameters that were laid down will be varied in the future is subject to an ongoing rolling basis of budget determination. If we were talking about it today and projecting forward, certainly what the honourable member says is quite correct.

Ms HURLEY: Notwithstanding any variations that might happen in the future, if the Government off-sets any wage increases above 2 per cent with job cuts—and according to budget forecasts 3 per cent is the figure and wage growth is 3 per cent—this would result in a further 700 job cuts on top of what has already been stated.

The Hon. S.J. Baker: That is what the honourable member has claimed. We have said that the targets have been laid down, and those targets show that from 1 July this financial year to the end of the period an estimated 5 500 people will take up separation packages in order to meet the four year target laid down. As to how wage rises will translate into job cuts, I am not willing to speculate on that issue two years in advance. I do not believe the honourable member's figuring is quite correct, because that is made

under a number of assumptions. Savings are being made in the non-wages area.

An agreement or framework was set in place for negotiations with EDS on the outsourcing of information services; we believe that will provide Government with significant savings which will not affect the area we are talking about. All areas of Government, whether they be motor vehicles or supply areas, are subject to intense scrutiny at this moment. We believe significant savings can be made further down the track. If we can increase those levels of savings by better management, who knows the ultimate outcome of the scenario put to the Committee by the honourable member.

Ms HURLEY: I will forgo any speculation as to the future. Can the Treasurer advise the estimated savings for wage increases that will be forgone by Treasury officers in the 1994-95 and 1995-96 wage freeze, and whether all Treasury officers are subject to a wage freeze and, if not, who is eligible for increases next year? In light of that, given that the Under Treasurer is subject to a performance bonus, will any of the other officers in Treasury who contribute to improved performance also receive a bonus?

The Hon. S.J. Baker: I will be quite explicit: the Government said that it wanted a zero wage increase for this year and the next financial year. The answer to the honourable member's question is: the dictate applies across the whole of Government, and so Treasury is not exempt from the standard set by the Government. What we have said in relation to wages is that we do not want any increase in our wage bill this financial year or next financial year. If employees should gain wage increases, by whatever means available to them—and we are talking about enterprise bargaining here—we would normally see a translation of that into job losses.

However, if the agency can prove that it has the four year savings target for that agency on track, it will be achieved and therefore wage productivity will be above that level, there will be no constraint on that being given. There are some issues that have to be sorted out between the employee representatives, the commission and, of course, the Government's representative on the commission. So, that is the position that has been clearly laid down; the general rule of thumb is that, if any agency involves itself in enterprise bargaining, those rules prevail. It does not matter whether it is in the area of Treasury or State Services, which are under my control, or hospitals, education or whatever it may be.

Ms HURLEY: So, if any department makes productivity savings or increases revenue the wage freeze does not apply?

The Hon. S.J. Baker: I am not saying that at all. We have not ruled out totally any wage increases, but it is very difficult. The agencies are aware of the Government's four-year savings targets, and in most agencies decisions are being made in relation to achieving those results within that time frame. If it is quite apparent that that level of savings can be achieved—and that is a very difficult question in the first place—and the employees can demonstrate that wage increases will not result in a blow-out in that savings target, the Government is more than prepared to look at that matter.

Mr CONDOUS: Has any specific consideration been given to recruiting persons of Aboriginal or Torres Strait Islander descent to the Department for Treasury and Finance?

The Hon. S.J. Baker: Yes; as at 30 June 1994, six employees out of a total staffing level of approximately 377 were of Aboriginal descent, and during 1994-95 the department plans to recruit two persons of Aboriginal or Torres Strait Islander descent who have demonstrated the potential

to achieve degree status and who can ultimately move into the mainstream of the department as graduate economists or accountants. The successful recruits will be offered cadetships with the department during the course of their university studies, and will receive financial assistance to that end and a guarantee of employment following the successful completion of studies.

The proposal to recruit specifically individuals of Aboriginal or Torres Strait Islander descent is subject to the approval of the Equal Opportunity Tribunal and is currently under consideration by that organisation. Subject to that approval the department will be seeking applications through the press.

Mr CONDOUS: The Commission of Audit commented on the need to review existing accounting and financial management systems. In doing so, it also made the observation that what is required is an integrated suite of financial software, consisting of general ledger, accounts payable, accounts receivable, fixed assets, budgetary control and purchase order commitments modules. What plans has the Government initiated to address these requirements?

The Hon. S.J. Baker: When the Liberal Party came into Government it found that, in relation to the financial systems, whilst there was recognition of the deficiencies and awareness of the requirement to conform to Australia-wide standards by 1996-97 in terms of accrual accounting, there had not been sufficient impetus to bring in a coordinated system. I know that the former Treasurer would have been startled by the extent to which agencies ran their own systems and then had trouble conforming to a common format and response on even some of the most simple issues. So, we believe that the availability of integrated and efficient management information systems is fundamental to the achievement of the financial reforms set by this Government.

The question of one common set of computer-based financial systems was under consideration for many years by the previous Government, but in fact nothing was achieved. The results have been a proliferation of systems across the public sector; a lack of integration and consequent additional costs being incurred to obtain information; expensive duplication of effort to develop and implement different systems; and expensive ongoing maintenance of the various systems. We recognise the need to decisively improve the situation and have mandated the Masterpiece V3.0 suite of software as the common system, and that has been provided by Computer Associates. Already Computer Associates has the Treasury system in place so that we are actually adding to the existing system, which is common to many agencies. We intend that the system will be installed by almost all agencies within three years and that the other agencies will be on track within a similar time frame or will have provided some explanations why they are not.

The decision to use Masterpiece V3.0 was based on assessments of its capacity against a set of specifications for a whole-of-Government system and the fact that the basic software is currently used by most central agencies. So, we are adding to and improving the existing capacity and capability of the systems and achieving the ends that had not been met previously.

Mr CONDOUS: The Government has endorsed the recommendation from the Commission of Audit that whole-of-Government financial statements for 1996-97 be prepared in accordance with approved accounting standards. What benefits does the Government expect to achieve from this

reform, and what plans have been initiated to achieve the objective?

The Hon. S.J. Baker: The preparation of whole-of-Government financial statements on a basis which ensures compliance with approved accounting standards is regarded by the Government as an essential and fundamental reform. It means that financial statements will be prepared on an accruals rather than a cash basis as has existed in the Government for many years. The accruals basis of accounting incorporates the full extent of assets utilised and liabilities incurred in the provision of Government services. The focus is on the cash required to fund ongoing activities, and this provides a narrow and incorrect view of the actual cost of delivering Government services, as has been universally recognised. We are no different from any other State Government, but perhaps Governments such as the one in New South Wales are further along the track in implementing an accrual accounting system. We intend to ensure that we are providing the best service possible and that our statements meet the standards as far as is humanly possible.

So, it is important in terms of the focus on the utilisation of resources within Government, as it relies on cash rather than the actual cost of those resources; the measuring of the performance of agencies; and providing a reliable basis on which to compare alternative delivery methods. So, we want to know the full cost of the service, and that will demonstrate whether savings are to be made or whether alternative methods can be pursued to achieve a better service. Importantly, the agencies will be made accountable for the management of the assets under their control because those assets will be on the balance sheet and changes in values will be measured. One of the problems arising from the absence of reliable information to date is that we simply do not know some of the fundamental answers that we require.

The other issue is that the whole-of-Government financial statement will clearly demonstrate changes in the financial position of the public sector, so we can more accurately look at a whole-of-Government financial statement and financial control, and that is one of the significant weaknesses identified by the Auditor-General and a matter that we will be taking up vigorously. This change does not occur without cost; we have set aside \$530 000 in this year's budget, \$850 000 in next year's budget and \$550 000 in the following year's budget in order to bring our systems up to the level that we believe is appropriate.

The Hon. FRANK BLEVINS: Did the Minister say that he was going to table Mr Boxall's contract?

The Hon. S.J. Baker: Two questions have been asked to date and I will provide the members of the Committee with the—

The Hon. FRANK BLEVINS: With the full details: credit cards, parking spaces, and so on.

The Hon. S.J. Baker: The honourable member actually asked about the conditions under which the Under Treasurer is employed, and I will be more than happy to provide that information as I will for the previous question about the chairmanship of the Asset Management Task Force.

The Hon. FRANK BLEVINS: Will a comparison be provided against his predecessor?

The Hon. S.J. Baker: The honourable member can look up the previous comparison. There is no difficulty in that whatsoever.

The Hon. FRANK BLEVINS: I am asking the Treasurer to do that.

The Hon. S.J. Baker: In fact, you know.

The Hon. FRANK BLEVINS: Thank you, I appreciate the cooperation. I am still not clear on this question of a wage freeze. Did I get the Treasurer right when I thought he stated that there would be no wage freeze provided that any wage increase was accompanied by at least an equivalent increase in productivity which would not affect the financial targets of a department?

The Hon. S.J. Baker: The addendum you mentioned was the critical factor. What the Government has said is that in four years time we have to be able to demonstrate that we have reduced the deficit to zero and have turned the non-commercial sector into a surplus. Every agency, both commercial and non-commercial, has been set performance targets. In the commercial sector they are more related to returns on assets and on efficiencies. In the non-commercial sector they are more stringently related to the budget outlays.

As regards any potential wage increase, the Government stated earlier this year that there must be a zero wage outcome. That means that the total sum of money spent on wages and salaries—because there are no contingency provisions within the budget—must not exceed the budget provision. If there are to be increases and they compute to fewer employees, there are no other mathematical answers. But under those circumstances the only way we would consider wage increases—and I think the union movement understands this—is if the agency demonstrates that, first, it will achieve its four year savings target; and, secondly, that whatever further savings can be made will then offset any wage increases being pursued.

The Hon. FRANK BLEVINS: That seems to be the same answer that was given before, and I still am not clear on it. I will provide a simple example. If a union came to the Government and said, 'Give us a \$10 week wage increase and we'll give you a \$20 week increase in productivity'—your bottom line—what would the Government say: 'Yes' or 'No'?

The Hon. S.J. Baker: That is a very good example. The principle in place is that we are assuming certain levels of productivity improvement in the savings target already laid down, so that would have to be over and above what we perceive will occur anyway. That issue will have to be resolved. For the Government to agree to any increase in wages we have said we expect that, through improved efficiency in our delivery of services, we will be able to maintain our services despite the decrease in outlays that we have enforced on the agencies. There is an expectation that there will be some significant productivity improvement as a result of that determination. If there is, over and above that, further productivity improvement and it will not affect the bottom line, that is the moment we are actually at the negotiating table.

The Hon. FRANK BLEVINS: That seems to me to be the Australian wage fixing system at the moment over which the Government has little or no control. It states that any wage increases have to be more than paid for by productivity. I am not quite clear what the Government's policy is. Is the Government saying that it is defying the South Australian and Australian wage fixing system and refusing productivity increases if a union offers them? To me that seems to be a bit bizarre.

The Hon. S.J. Baker: I thought I had been quite explicit about the Government's stance. The honourable member can make a point about this particular issue but the Government has made no allowance for any wage increase in the budget.

Mr BUCKBY: How does the Government plan to respond to the recommendations of the Commission of Audit with respect to budget processes?

The Hon. S.J. Baker: The Commission of Audit made a number of comments on the way in which budgets are constructed. One of the important issues raised was the extent to which we should provide some indication of the future. Indeed, it suggested forward estimates and the need for making those explicit. The Government has taken that on board. In fact, we made a commitment prior to the last election that we would be producing forward estimates: they were going to be on a three or four year time frame, and this one is currently existing plus the next three years. I believe that is a vital issue, one that was not adopted by the previous Government. Whether it was in a position to do so is questionable; but, for any control of finances and to have any decent capacity to control our future, and specifically to reduce our debt in the longer term, we must insist on being explicit.

The forward commitments are shown in the tables that I previously mentioned detailing our budget targets in terms of debt and also in terms of the composition of our budgets in future years. They will change as the factors change: whether there is increased or decreased growth, greater or less compensation or tax sharing arrangements with the Federal Government or increases or decreases in interest rates. They are all vital factors. What the Government is telling the people of South Australia is that we are setting some targets and that these are the component parts. They may shift but the targets have to stay in place.

Importantly, the Government is clearly setting its direction and showing its determination to provide South Australians with some degree of comfort so that they will get out of the financial mess caused by the previous Government's actions. In a whole range of areas we will receive some—not necessarily accolades but—acceptance that the Government is actually demonstrating future and forward planning in a strategic and functional fashion.

A number of other issues were raised by the Auditor-General, although I think that was the most important issue in terms of the process of Government. We also are currently looking at the matter of an early budget: whether there should be an early budget during May or June. That issue and its practicalities are currently being examined. Western Australia went to an early budget but has found itself in a very long budget period: I think it is taking about 27 weeks for the Western Australian budget to be satisfied. Other jurisdictions such as Northern Territory and Queensland, which have single Parliaments, can satisfy their budget requirements in about one or two weeks.

The issue of how we manage budgets is an important one. The Government believes that an early budget is vital for setting departments and authorities the framework in which that year will operate so that they do not come to 25 August, or in any of the budgets laid down, and find that they have to change direction or that their budgets are a little less than they first thought because of last minute discussions and negotiations. Those are just two issues the Government is examining at the moment. We have already reached some conclusions on a range of other issues, and we will either make those conclusions public or respond formally to the Audit Commission on those issues by the end of October.

Mr BUCKBY: I refer to Government assistance to the Stirling council. What action has the Government taken to

assist the Stirling council with its debt obligations arising from the 1980 Ash Wednesday bushfires?

The Hon. S.J. Baker: Members of the Committee would appreciate that commitments were made in relation to the Stirling bushfire as early as 1987-88. It was only when we came into Government that we appreciated just how difficult that arrangement was for the council and the ballooning of the payments that were required over the 15 year period. Indeed, under the relationship that was established at the time, well over \$1 million would have had to be paid out in the final year, and the amount of money required by the council was escalating at the same time as the assumptions on which that was derived had changed dramatically. I make special reference to the fact that inflation has decreased enormously since the time when that agreement was first put in place. It was becoming increasingly impossible for the council to meet its commitments, despite selling off its assets, because the assumptions under which that loan was formulated were invalid.

We said originally that we would provide \$2 million assistance to the Stirling council; that has been put in place. The total value of the early repayment is \$2.4 million, and that money has been paid to the Stirling District Council via the local government disaster fund. I have made a statement already about the need for the local government disaster fund to continue. In October next year, when the .0005 per cent was due to be removed from the financial institutions duty, the disaster fund would have been left with a very small amount in it which would not be sufficient to cater for any major disaster affecting local government. So, the Government has agreed that the disaster fund shall continue.

There is also an agreement that the payments to Stirling shall come out of that disaster fund so that naturally it does not effect the budget. I think it is also important to point out that the original loan to the council was \$4 million at a fixed rate of 14.9 per cent over the 15 years, as I mentioned. If some form of relief had not been given, I believe that some debt forgiveness would have been necessary. We have put a policy in place which was sustained over a number of years to provide relief, and we have indeed done that.

Mr BUCKBY: How does South Australia compare with other States in terms of tax burdens, and to what extent did the taxes, fees and fines *per capita* grow under the previous Government?

The Hon. S.J. Baker: There are two aspects of the question that I believe are important for the Committee to understand. The first is that over the period 1988-89 to 1993-94 the compound annual growth of taxation fees and fines *per capita* in South Australia increased by 7.3 per cent. That compares to the six States average of 5 per cent, so members can clearly see that that compound rate of increase was 50 per cent higher than the average. The nearest State to us was Victoria, which also had to implement some taxes as a result of its own financial difficulties, but that was at 6.5 per cent. At the bottom of the scale was Western Australia with 3.5 per cent compound annual growth. The *per capita* taxation figures are better for South Australia in that our taxation *per capita* is the third lowest of the States. At the top was New South Wales with \$1 608 per head, at the bottom of the scale was Queensland with \$1 096 per head, and South Australia falls between them at \$1 256 per head.

Certain adjustments have to be made for our taxation capacity, and the Commonwealth Government concedes that South Australia has between 13 and 15 per cent lower capacity at the same rates of taxation. If the same tax is

applied across all States, on average we will get 13 to 15 per cent less in South Australia than the national average, so some discounts have to be made for that factor. In 1988-89 the tax effort ratio for South Australia was 98.57 and in 1992-93 it was 101.80, so we have gone in the wrong direction in terms of incentives for businesses to set up in South Australia.

Mr QUIRKE: What is the timetable for the rest of the Audit Commission findings? As I understood it, the Government would be making an announcement across the board of which of those findings it would accept, and that must now be imminent.

The Hon. S.J. Baker: Yes; the timing on the Audit Commission responses will be towards the end of October. Of the 336, I believe that 80 to 90 per cent have been satisfied by public statement, agreed by Cabinet or put into practice already. There is a residual number which we will be sorting out over the next few weeks.

Mr QUIRKE: As I understand it, one of the key elements in this for the Liberal Party in Government over the next three years is the sale of assets. Can the Deputy Premier tell us whether any consultancies have been let for the sale of specific assets, including BankSA, SGIC and, for that matter, any other assets that may be up for sale? What are the costs of those consultancies and what are the contracts?

The Hon. S.J. Baker: I thought the member for Playford said that he was in the gallery when the previous questions were asked. We have dealt with the Asset Management Task Force questions already. I will give the honourable member the required information.

Mr QUIRKE: In response to that, I was in the gallery when that question was asked. I am specifically interested in whether the Government has contracted any organisation for the sale of those two specific assets that I mentioned. I can hone it down even further: BankSA is the one that I am specifically interested in; can the Deputy Premier give us the contract details of that if that is the case?

The Hon. S.J. Baker: The answer is 'Yes', but we have not signed the agreement. Until we do, it would not be appropriate to provide the details to the Committee. In principle we have decided on a particular organisation to sell the bank.

Mr QUIRKE: By tender?

The Hon. S.J. Baker: Yes, we went through a tender or expressions of interest process. That process has been pursued and there will be further negotiations. The matter will be made public very shortly, provided agreement is reached and signed.

The CHAIRMAN: I should like to clarify one point. Was the Treasurer under the impression that the line had been closed off under 'Other Payments'? If so, I permitted the question on page 60 of the PPB papers relating to advice and assistance provided in developing and implementing legislation, which refers to the whole range of Government enterprises.

The Hon. S.J. Baker: I am relaxed about it, Mr Chairman. There are other opportunities, if somebody has missed the point or I have not explained something sufficiently, for members to ask further questions. In relation to SGIC, there are no contracts of that nature.

Mr QUIRKE: I have no further questions, Mr Chairman. I am quite happy to move on to the next area.

The CHAIRMAN: The Chair has one problem. We had a printed sheet handed in which stipulated 'Other Payments' for a brief period, then departmental operations, and the

various range of Government enterprises down to lotteries, the Casino and gaming. The questions have been fairly wide ranging. Rather than specifically take each of these items in sequence, I suggest that it may be better if the officers were to remain on duty during the day, or at least until the 8 p.m. closure of the 'Treasury and Finance' line, so that members can switch from one line of questioning to another. It is right across the whole line so it is permissible for them to do that.

The Hon. S.J. Baker: That is quite satisfactory. I think we can probably close it off at 6 o'clock. We should then be through the major Treasury items and be able to ask some of our officers to absent themselves. I understand that the next item the Opposition wishes to pursue is the South Australian Asset Management Corporation and State Bank. I should like to precede the questions on that matter with a short statement.

I wish to inform the Committee of the latest advice that I have available concerning executive remuneration issues involving the State Bank as it traded to 30 June 1994 and the present situation applicable to BankSA Limited and the South Australian Asset Management Corporation (SAAMC). The Committee will be aware of concerns that have been raised on numerous occasions in the House about the level of remuneration applicable to certain executive officers of the State Bank. I am pleased to say that the State Bank has made significant progress in terms of reducing sheer numbers of executives and employees with total remuneration packages in excess of \$100 000 from a figure of 92 executives and employees at 30 June 1993 to 68 executives and employees at 30 June 1994 (including the Group Asset Management Division).

Nevertheless, I am appalled at the level of remuneration that particular individuals were able to earn as a consequence of bonus incentive schemes applying within the State Bank's Treasury operations and introduced during the Labor Government's term. Of course, these are no longer in place. I am informed that under the bonus scheme certain State Bank Treasury officers were able to earn additional income above their base salary as a result of over achievement of profit targets for the State Bank's Treasury trading operations.

These bonus arrangements were structured so that bonus payments were made one year in arrears. Certain bank Treasury staff were entitled to receive a budget success bonus if their 'profit centre' achieved its net profit budget but the bank's Treasury operations as a whole failed to achieve its profit budget. Official documents reveal that the former Treasurer was advised of these arrangements and the details of the bank's Treasury bonus scheme.

The bonus scheme arrangements resulted in one individual's income totalling between \$1.12 million and \$1.13 million for 1993-94 and another individual between \$810 000 and \$820 000. In total, eight employees earned in excess of \$370 000 during the past financial year. It should be noted that these incomes include redundancy payments, employee entitlements (superannuation, annual leave, and so on) as well as bonus payments which would normally have been paid in the following year. The individual whose income totalled between \$1.12 million and \$1.13 million had an in-built bonus scheme in his personal remuneration contract. His bonus scheme arrangements effectively came to an end in November 1993 upon conclusion of his contract. However, compensation arrangements were put in place under a renewed arrangement in November.

As for other bank Treasury dealers, their bonus schemes were effectively brought to an end in February 1994. Of the

eight employees whose income totalled more than \$370 000 in 1993-94, six had left the bank by 30 June 1994, including the highest earner, and another left in July. The profits on which these bonuses were calculated were essentially derived by trading in foreign currency and interest rate markets. On a positive note, I would point out that the contribution to bank profits from the bank Treasury operations was substantial and ran into tens of millions of dollars. However, I think it is significant to note that this type of trading activity could not have been undertaken by the State Bank without a Government guarantee attaching to its liabilities. Without the guarantee of this State, this trading activity would not have been possible with the degree of profitability that occurred.

As part of the corporatisation process, the State Bank's Treasury operations were closely examined and reviewed. The bank board decided in December 1993 that the Treasury operations to be carried over from the State Bank into the Bank of South Australia Limited should no longer be focused on trading but rather should fully concentrate on funding and managing liquidity risks of the Bank of South Australia Limited.

BankSA's Treasury operations are now focused on its funding activities. As a consequence, the staffing profile of its Treasury area has changed dramatically and the top earners are no longer employed by BankSA Ltd or the South Australian Asset Management Corporation. Bonus schemes of this nature are no longer operating in either BankSA or SAAMC. The incentive schemes which remain in place are reasonable.

As competitive imperatives dictate, BankSA will have to provide such incentives as may be required to meet the strategic and budgetary targets of the bank. The bank currently has certain operations where commissions are paid over base salary, such as for financial services and mobile sales staff. In addition, the bank has recognised and will continue to recognise and reward staff for special achievements and contributions to the business as the business requires or because of the need to retain key staff. These matters are in the domain of the board of directors appointed by the Government.

BankSA operates in a competitive market environment as a company subject to the corporations law. The obligations and responsibilities of the board of directors are clearly dictated by the general law and the corporations law, and BankSA will be operated according to these requirements. In preparation for corporatisation and the launch of BankSA, all facets of BankSA's operations—including staffing levels, industrial agreements, staff benefits, remuneration policy and practice—were the subject of comprehensive analysis by external consultants appointed by the Corporatisation Steering Committee, in conjunction with the board of the bank.

BankSA has been restructured in accordance with strategies adopted by the Government, and executive remuneration has been realigned by the regional banking sector of the finance industry, consistent with the sale strategy. A regional banking remuneration survey confirms that remuneration packages are now generally within or below the median range in the market, which is consistent with the Corporatisation Steering Committee's advice to the Government. A new executive team has been installed within this framework to manage the process of streamlining and cost reduction in BankSA.

There is a total of 151 packaged officers in BankSA Limited. Thirty-five of those individuals receive total

remuneration packages of \$100 000 or more. Total remuneration costs include superannuation, concessional loans, packaged vehicle costs and FBT associated with each employee. There are presently 27 executives and employees of SAAMC whose packages exceed \$100 000. This figure includes 10 offshore employees. SAAMC's primary function is to manage an orderly wind down of assets over the next few years. In this regard, my expectation is that the number of senior executives employed by SAAMC will also reduce as that entity shrinks in size.

The CHAIRMAN: Does the member for Playford wish to make a formal reply?

Mr QUIRKE: No. I would just like to ask a few questions about the statement we have just heard. From what you have just told us, there are still 67 persons who are in receipt of income of \$100 000 or more in both entities, SAAMC and BankSA. You mentioned a figure of 92 as at 30 June 1993. I have good reason to assume that that figure was an historical figure at that point. That was the number that started that financial year. In fact, it had been wound down, as I was advised in my capacity as Chair of the Economic and Finance Committee, by July last year, to 72. You need to be very careful when dealing with this entity and reporting about who is getting what, as I am sure the Deputy Premier is well and truly aware. I want to get the figure on the table. You are telling us now there are 67 at this moment who are in receipt of \$100 000 wage packages or more?

The Hon. S.J. Baker: The figure with which I have been provided, which includes the State Bank, with all its entities, plus the GAMD, as at 30 June 1993, was 92. It may well have been that the figure you are referring to was the bank only, which was 77 as at 30 June 1993. That was the historical figure. The figure for 30 June 1994—and I will talk about what is now in place—was down to 63 from 77 in the bank, and rather than 15 that existed at the time in the GAMD, there were 5 in the GAMD as at 30 June 1994. The reduction was from 92 down to 68. There have been a further 6 reductions since that time as a result of rationalisation and the creation of SAAMC—SAAMC taking over the State Bank of South Australia plus the GAMD. There has been a reduction of a further 6 in that category.

In the official reports—and it is an issue I have had to grapple with and understand—under the Corporations Law, the definition of people who lie within this bracket is quite different from the definitions with which we are working. Last year the count was as low as 27 in the official reports, which would have conformed with the Corporations Law, because they do not count those overseas or subsidiaries, and they also have a different definition of what is remuneration. They do not include superannuation in their definition. The figures have taken some time to work through in order to reconcile.

The CHAIRMAN: I would like to notify the television camera operators that an agreement was reached between the honourable Speaker and the managers of the stations that cameras would, after the initial two or three minute period when the Committee was settling down, remain behind the area parallel with the desks at the front. The Chair finds it distracting to see movement and I am quite sure the witnesses would. Since the essential ingredient of the day is to elicit information from the Treasurer, I ask the cameramen if they would stay behind the level of the witnesses.

Mr QUIRKE: I want to get a couple of remarks on the public record about that. My memory was correct. I can assure the Treasurer of two facts. The first is that was a figure

that was given to the Economic and Finance Committee from both entities. I also know full well about the problem of how to report executives, because that organisation had to get dragged in, kicking and screaming, to include all sorts of information so we in fact got the figure of 92. The figure of 92 was obtained in the year 1992; in fact, my diary would give the precise date in November when the State Bank was called to account as a result of that inquiry into executive salaries.

The cost this year, as I understand it, of converting the State Bank into BankSA has been fairly considerable. Will the Treasurer tell us how much that process cost? Will he tell us whether there have been any salary implications to that change? In other words, has there been any movement of any individual in the executive range or any salary movements, and I include in that all the things that a punter out in my electorate would consider part of a salary package, such as a car, superannuation, or anything else, as a result of that change to BankSA?

The Hon. S.J. Baker: As the honourable member would be well aware, a \$10 million allocation was made. That was notified at the time. I can give the breakdown for the honourable member. In fact, \$9.5 million was actually allocated for the process. It did not stop as at 30 June but kept going into July and August on a continuum, so a process took place and it is still taking place to a certain degree. The total estimated cost that we believe will be spent is as follows: stationery, brochures, posters, promotional material and public affairs, \$5.316 million; changes in signs, \$2.285 million; and the cost of the launch and the advertising campaign to launch the new name, \$1.906 million. The total cost of that change was \$9.507 million. The name had to change because the law required it. We made a significant change to the name and that obviously increased the cost.

As to remuneration, I can make available to the Committee current executive remunerations. I will seek further information on whether there have been any changes. I presume the honourable member wants to know whether there is any change as a result of the new bank being formed—whether there were any changes as of 30 June 1994, when the old bank was in place, compared with 30 June 1993. I have some general descriptions. The general answer is 'No.' Most BankSA staff are remunerated in accordance with the bank officers/officials SBSA Federal award 1984 and pursuant to the enterprise agreement reached in 1993. The bank's remuneration policy was reviewed against and is generally in line with the regional banking sector. It should be noted that the remuneration human resources policy is generally reviewed by external consultants etc. Executive and senior officers receive remuneration packages based on the cost to the bank. As at 1 July there were 153 packaged officers and 35 received packages in excess of \$100 000. I presume it is in that area that the honourable member has specific interest.

I will provide the list of the current 35 executives in the bank above the \$100 000 level. There is a difficulty, because some of the people in those positions were not in them a year ago and the descriptions have changed dramatically in some cases. It will be reasonably difficult to line them up and form a conclusion that their salaries have increased, have gone down or have been reasonably static. I will have work done so that the honourable member can form his own conclusion about those packages. My assessment is that they have changed very little.

Mr QUIRKE: The Treasurer referred to external consultants setting the level of packages. Last year the Economic and Finance Committee recommended, regarding executive salaries in the bank, that the bank had wrongly positioned itself. The report recognised that the bank had gone from the top, the seventy-fifth percentile, as a world bank, as it saw itself in the early 1990s, down to the fiftieth percentile, so that half the bank executives in Australia would be paid on either side of that line. The Economic and Finance Committee recommended that the State Bank of South Australia was a regional bank and that the level should drop to the twenty-fifth percentile. I understand that when the Government came into office it accepted that recommendation but that nothing happened at BankSA. Is that correct?

The Hon. S.J. Baker: The honourable member is talking about wages and salaries?

Mr QUIRKE: Executive remuneration is determined by reference to an external consultant, who gave advice to a number of banks and financial institutions and determined that the position of this particular bank would be at a certain place in the market. Under the Marcus Clark regime, it was at the seventy-fifth percentile, which meant that 75 per cent of bank executives in Australia were paid less than bank executives in the State Bank of South Australia. I understood that a reduction down to the fiftieth percentile took place under the last Government between 1992 and 1993. Indeed, the Economic and Finance Committee made clear that the bank should go down to the twenty-fifth percentile, its real position in the banking world in South Australia. I understood that you accepted that, but it appears that no action has taken place.

The Hon. S.J. BAKER: I have two comments. I cannot recollect particular reference to the twenty-fifth percentile, but generally I accept what the honourable member says. There are two distinct issues. One relates to what the general banking sector does and the second relates to what the regional banking sector does. We are well aware that in major banks head office staff are paid significant salaries and incentives, but that is not necessarily replicated by regional banks, although some heads of regional banks are paid handsomely. We are talking about two different product markets, and the honourable member would appreciate the difference there.

As to the Economic and Finance Committee recommendation, it believed the executives were remunerated far too handsomely and that executive remuneration should be repositioned. There was some repositioning, but that was affected by contracts that were already in place and contracts that were not available for alteration when we came into government. The consultants referred to the fact that BankSA is one of the largest regional banks—St George Bank might be a little larger: it is much larger than the average regional bank. We have said that the salary shall be at the medium of the regional banks, and not a particular percentile of the banking sector where we have some very highly paid individuals operating out of Sydney and Melbourne.

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

Additional Departmental Adviser:

Mr T. Johnson, Managing Director, BankSA

The CHAIRMAN: For the public record, the Chair appreciates the media's problems in being able to photograph only the back of the Treasurer's and his witnesses' heads for

publication in the evening media. We have tried to contact the Speaker during the lunch break but have been unsuccessful. We will seek variation of the rule over the next 24 hours—with what luck I do not know, but we will try.

Mr QUIRKE: I would like to make clear to the Treasurer that one of the principal recommendations of the Economic and Finance Committee was the downgrading of the Bank of South Australia into the twenty-fifth percentile. I noted in his answer to my last supplementary question the Treasurer's statement that it is now positioned with similar banks, but that is not the case. That bank is now positioned right in the middle of all banks, whether or not they be regional, and I include the Commonwealth, Westpac, ANZ, and National Australia Banks. In fact, the fiftieth percentile places it right in the middle of all banks in Australia in terms of executive remuneration.

The Hon. S.J. Baker: That is not true. In fact, 35 senior staff receive total remuneration packages in excess of \$100 000. I have a breakdown of that which I will supply to the honourable member. Information received from the consultants indicates that whilst it is one of the larger regional banks its remuneration level is in the middle range.

Mr QUIRKE: In the middle of all banks?

The Hon. S.J. Baker: No, in the middle of the regional banks. As I said, if we took the remuneration packages of the National Australia, Commonwealth, ANZ and Westpac Banks we would find a much greater concentration. In fact, every one of them, except the Commonwealth Bank, is still on the low side, but what we call private banks have employees on their books with salary packages well in excess of \$500 000. The highest paid employee is our Chief Executive Officer, with a salary package of between \$370 000 and \$380 000. We are aware of regional banks with much smaller asset bases whose Chief Executive Officers are paid far more.

We have concluded, on the evidence presented, that the positioning of salaries is far more appropriate to a regional bank, which it is, and that it lies in the medium range. I am happy to supply that information. It is important to understand that the definitions used come under the corporations law and, therefore, some significant adjustments take place in these packages that are not recognised under that law. For example, the number of people we have within those brackets do not fall under it: they fall well below the \$100 000 mark. That is something the Committee will have to take on board. We are reasonably confident that for a bank of its size, lying in the medium range, it is appropriate.

The CHAIRMAN: Is the Treasurer providing the information for circulation now?

The Hon. S.J. Baker: For circulation to all members of the Committee.

The CHAIRMAN: The document will not be tabled but it is available.

The Hon. S.J. Baker: If the honourable member wishes it to form part of the record, I am happy with that.

Mr QUIRKE: That would be a good idea.

Packaged staff

The 35 packaged staff referred to above fall into the following bands:

Salary Band	Number
100 001 to 110 000	8
110 001 to 120 000	8
120 001 to 130 000	7
140 001 to 150 000	4
150 001 to 160 000	1
180 001 to 190 000	3
190 000 to 200 000	1
220 001 to 230 000	1

240 001 to 250 000	1
370 001 to 380 000	1

Mr QUIRKE: Can the Treasurer tell us—and he might need the assistance of some of the Bank of South Australia officers—whatever happened to the art works and wine we heard so much about in 1992-93? Are they still around? Have you sold them, or what is going on? What is happening to the top floor? Is it being fixed up or not?

The Hon. S.J. Baker: The top floor is vacant. I must admit that it is the most impressive top floor of any building I have ever seen. Some of the art work is missing. Several paintings cannot be found. I will ask the Chief Executive Officer to respond specifically but we have done an audit and, without going into the massive expense involved in trying to cater for every item that was on the list but could not be found afterwards, I indicate that most of the wine collection has been sold off at auction and only the less expensive items have been kept for small entertainment type purposes. That is the general answer, but I will hand over to the Chief Executive Officer.

Mr Johnson: There was an inventory in relation to the art works. The bank's history goes back to 1848. There is a list of art works that were in the bank's ownership since the early part of this century. Some art works purchased in the 1970s were not able to be included in the inventory of all art works when the allocation of assets was carried out for BankSA. Valuations were achieved for the art works we had, and we are talking about the great majority of them.

As it goes back a long time I cannot remember the exact number, but there was a total of about 300 of which a smaller number has been retained and vested in the assets of BankSA and they are all categorised. The balance, which is the great majority of them, have been kept in a safe and protected environment, and the SAAMC responsibility is to dispose of them or deal with them in due course. The bank brought an inventory of wine to a previous inquiry of the Estimates Committee and provided information as to the type, or variety, and quantity. As the Treasurer said, the bank disposed of most of the wine, in terms of value and quantity, in several auctions that were held before the end of June in 1994 and those proceeds have been paid into the accounts.

Mr CONDOUS: Was it a public auction?

Mr Johnson: Yes, without disclosing the vendor. However, the details of how the wine was disposed of are available. A small proportion has been held for bank functions and vested in BankSA, and again an inventory is available if required.

Mr QUIRKE: What was the value obtained for the wine collection at that public auction?

Mr Johnson: I can provide the Committee with that information if the Treasurer so determines. The information is all available, and it involved quite a well-known auctioneer, who was particularly experienced in wine and its values. A reserve was put on it and the requirement was that nothing be sold unless the bid met the reserve, which was above the book value of the wine. The value of the wine was determined by the quality, and so on. So that information is available also if required.

The Hon. S.J. Baker: I will undertake to provide the honourable member with that information. I think the amount was about \$20 000, but that might be a mile out, so I will get the actual details rather than speculate on the figure.

Mr QUIRKE: Are the paintings all accounted for?

The Hon. S.J. Baker: To the extent that it is possible to account for the paintings. As Mr Johnson mentioned, people may have been aware of when they were actually bought by the bank or when the bank was made a recipient of them, but they were not aware of when they disappeared over the 106 years of business of the bank. Someone could have kept them in a collection for 100 years.

Mr BUCKBY: Continuing the focus on the former State Bank and, more particularly, the Group Asset Management Division (GAMD) or the so-called 'bad bank', I note that GAMD reported a loss for the 1993-94 financial year of \$120 million. Where does this leave the Government in terms of its provision for losses under the indemnity provided by the previous Government?

The Hon. S.J. Baker: Under the previous Government's indemnity the \$3 150 million made available was made up of a number of payments, but up until June 1992 the sum of \$2 300 million was made available to cover the 1991-92 loss. The sum of \$450 million was made available and a further amount was set aside in the State Bank restructuring account of \$400 million, so the total was \$3 150 million. Against that, the State Bank received a total of \$3 037 million and payments were made of \$500 million in February 1991, \$1 700 million in August 1991 and \$100 million in June 1992.

GAMD received \$450 million for the 1991-92 losses, which I mentioned previously; in June 1993, as part settlement of the GAMD losses for 1992-93, \$200 million; and in June 1994, in full settlement of the GAMD losses, \$87 million, so \$3 037 million of the \$3 150 million provided has been taken up. The \$120 million would, as members of the Committee would appreciate, exceed the amount set aside by \$7 million. Because of the transfer of the equity interests, a sum is available in the GAMD, and that will be offset against that amount, so there is no call on the budget for this financial year.

Mr BUCKBY: Looking at the 1993-94 results for the South Australian Asset Management Corporation I noted that there was an abnormal expense totalling \$143 million. How was this figure arrived at?

The Hon. S.J. Baker: There is a very large expense in relation to that, as people can appreciate, and it affected the profit line of the bank. We had to address some matters prior to the change, and they included restructuring costs of \$59.5 million. In that amount we had to make special provision for superannuation entitlements of \$16 million; redundancy payments of \$18 million; SAAMC redundancy payments of \$10 million; the imaging and stationery associated with the name change of \$9.5 million; information systems development of \$3 million; and future litigation in relation to our debtors of \$3 million. That made up \$59.5 million of the \$143 million.

There was a guarantee fee to the State of \$27.4 million; a provision for terminating long-term leases held in London and New York of \$9.6 million; a State Government scheme superannuation funding 'top up' of \$11 million; and a decline in the valuation of the assets of \$35.5 million, of which \$24.5 million related to some of the properties that had been accumulated by State Bank as a result of default, including 55 Grenfell Street, the Henry Waymouth Car Park, the State Bank Centre, the Newcastle BFCL building; and other properties totalling \$5.4 million. So, that made up the devaluation of assets. Then we had furniture, fittings, partitions and office equipment, which were valued for corporatisation purposes, devalued by \$5.6 million. Those

figures total \$143 million of abnormals that were brought to account, and anyone interested may appreciate that the result for the bank was quite good under the circumstances.

Mr BUCKBY: What is the size of the SA Asset Management Corporation, and how is it expected to perform in the next 12 months?

The Hon. S.J. Baker: There is little appreciation for the fact that SAAMC was, in asset size, larger than BankSA at the point of changeover. The opening balance sheet of SAAMC as at 1 July was about \$8.4 billion (unaudited), which differs from the figure of \$7.8 billion shown in the budget papers by \$0.6 billion, representing an adjustment to the SAAMC balance sheet in respect of both assets and liabilities, which were previously offset but which are now recommended to be shown on the balance sheet. This amount represents receivables and payables arising from SAAMC off-balance sheet transactions being wound down. So, the total balance sheet was \$8.4 billion compared to the BankSA balance sheet of \$7.26 billion. The capital left in the SAAMC is \$250 million with a possible reduction to \$130 million, as I mentioned previously. This \$250 million will be used to pay for the \$120 million loss for the 1993-94 financial year.

The Government expects that SAAMC will reduce its balance sheet by \$2.4 billion in its first year of operation. By reducing \$1 billion of the SAAMC facility, BankSA can raise its own capital. The Government provided the funding through SAAMC to BankSA. BankSA is in the marketplace seeking its own funds, so there will be a winding down of the financing requirement. There is an estimated disposal of assets of \$1.4 billion, and they are mainly receivables in Australia and offshore. The third matter involves managing the asset sales to generate sufficient reserves to cover \$464 million in funding costs, \$40 million operating costs and \$20 million statutory charges. We are aiming to have a small surplus from those operations at the end of the year. Given the nature of what we are dealing with, the sorts of figures we are aiming for in budget terms can fluctuate. We are aiming for a small surplus at the end of the financial year.

The Hon. FRANK BLEVINS: I refer to the head of Global Treasury. Did I understand the Treasurer correctly to say that he picked up \$1.3 million this year?

The Hon. S.J. Baker: The Global Treasury operations are now defunct. The Government is winding down the residuals.

The Hon. FRANK BLEVINS: Did I hear the Treasurer say that the former head of Global Treasury, whose contract finished in November 1993, picked up \$1.3 million on his departure and, if not, what was the figure?

The Hon. S.J. Baker: His official contract formally ceased in November 1993, but in the period before the election the then Treasurer agreed to a transitional arrangement to allow that person to continue to wind out some of our overseas operations. I understand he left in May, and the total pay-out was of the order of what the member mentioned.

The Hon. FRANK BLEVINS: Will you give the Committee a breakdown of that figure?

The Hon. S.J. Baker: I do not know that it is necessarily appropriate to provide those details.

The Hon. FRANK BLEVINS: Why? If it is appropriate to give a total figure, the Treasurer should provide a breakdown.

The CHAIRMAN: The member is continuing to interject. It was the understanding of the Chair that there were contractual provisions for non-disclosure. The Chair may be wrong. The member should direct his questions along those lines.

The Hon. S.J. Baker: The exact pay-out for 1993-94 was \$1 124 210. There was a bonus element of about 20 per cent—in round terms, that worked out to about \$360 000. There was a severance payment of about \$575 000. There were other levels of remuneration, including salary and other items, of about \$174 000.

The Hon. FRANK BLEVINS: So, will the Treasurer supply those figures?

The Hon. S.J. Baker: I do not have great difficulty supplying them. I will provide the figures that I have before me. The leave the person was entitled to amounted to \$21 248, severance was \$575 000, the bonus was \$356 800, and the remuneration to date of exit was \$171 162.

The Hon. FRANK BLEVINS: When did this particularly fortunate gentleman enter into this contract?

The Hon. S.J. Baker: I understand the original contract was entered into prior to the member's becoming Treasurer. My understanding is that the former Treasurer was not responsible for this man's original contract.

The Hon. FRANK BLEVINS: You mentioned that, in all fairness to this particular gentlemen, while he was in charge of the Global Treasury operation it made tens of millions of dollars. Can the Treasurer be a bit more precise? From memory I think it was close to \$150 million to \$200 million that this character made for the operation.

The Hon. S.J. Baker: My understanding is that in the past two years the figure would have been close to \$100 million. I do not have any details that go back before that time, but in the past two years that would be the order of magnitude. As I said, it finished financially on the right side of the ledger. In fact, it is worth reporting that the operation finished about \$15 million under budget last year.

The Hon. FRANK BLEVINS: He will not have any problems getting another job on higher remuneration.

The Hon. S.J. Baker: He will not be playing with taxpayers' money.

The Hon. FRANK BLEVINS: Has there been any change in policy in the bank since the last election in regard to rural foreclosures?

The Hon. S.J. Baker: Only to the extent where problems have arisen and those matters have been canvassed vigorously with bank personnel. As far as I am aware, that has not happened on very many occasions. It has been dealt with on a case-by-case basis. The bank is well aware of the Government's desire to maintain a strong relationship with all its customers, including the rural sector, and it is using its best endeavours to proceed along those lines. In terms of rural loans, there were only two occasions that I was asked to pursue particular matters. I have taken a hands-off approach because it would not be appropriate to intervene. I have simply raised particular questions with the bank and have received satisfactory answers.

The Hon. FRANK BLEVINS: It appears that the answer is that there has been no policy change. In general, have there been any significant policy changes in the bank over the past nine months?

The Hon. S.J. Baker: On these particular questions, it may well be better to ask the Chief Executive. My view is that there are a number of areas where the bank has changed. It is now focussing as a regional bank. It has obviously moved away from its Global Treasury operations. It is winding out of all non-core activities. Some of these things were started previously and have been pursued perhaps with a bit more vigour than was previously applied. The bank has been corporatised. There are a whole lot of things that have

changed in terms of the bank, the way it images itself, and the way it operates. If there is a specific issue that the member wishes to pursue, there are a whole range of areas where the bank has changed. If the member would like to be more specific, I can ask the Chief Executive Officer to respond.

The Hon. FRANK BLEVINS: I am fairly satisfied with that. It seems to me that the answer is, 'No, no change at all.' Anybody can discern that from the policies of the bank over the past nine months. I do not think there ought to be a change in policy. I congratulate the Treasurer on maintaining the previous Treasurer's policies.

The Hon. S.J. Baker: Not quite.

Mr BASS: Earlier this year the Treasurer indicated that the final instalment of the Federal Government State Bank assistance package was at risk. What was the reason for this, and has the situation been resolved?

The Hon. S.J. Baker: On coming into Government we had discussions with the Federal Government about the assistance package. Indeed, \$75 million was due and payable to the State Government prior to 30 June 1994. It was made clear at the time in an exchange of correspondence that the Federal Government had had some concerns about the previous Government's ability to meet the savings targets that had previously been agreed between the State and the Federal Governments, and at that stage it was not willing to rely on our election campaign as a firm indication of our resolve to reduce the State debt. As a result of the May financial statement, the Federal Government agreed that the changes that were taking place were appropriate, that the savings targets were greater than those of the previous Government but that it accepted that we had a greater capacity to deliver them than did the previous Government, so we were given the \$75 million at the end of last financial year.

In fact, the Federal Government feels so comfortable with our performance and budgets and that, as the former Treasurer would recognise, the final payment was due and payable on the sale of the bank (and that was some \$234 million), that the Commonwealth Government has agreed to pay us a further dividend—\$159 million—which will be paid during this financial year so that there is a very small residual amount that will be paid on the sale of the bank. Obviously, we have either met or exceeded the Federal Government's expectations, and we can feel quite pleased about that. I would hasten to comment that it had some grave reservations about where the previous Government would finish.

Mr BASS: What was the rationale of changing the name of the State Bank to BankSA Ltd, and how does this move assist the Government's plans to sell the bank?

The Hon. S.J. Baker: The previous Government would have had to address a number of issues about the sale of the bank, had it been retained after the last election. One issue was the legal entity which existed at that time and which was no longer appropriate, and the second was the extent to which the State Bank should stay with the name which it had held and which we believe was not necessarily appropriate for future marketing of its products and its people. So, the name had to change; we were required by law to change the name. That was the issue that was embraced at the time. The market was tested, we came up with BankSA and with a new logo, which was also market tested. The market testing came up with very strong support for the changes to both those items. The matter was professionally addressed, the name was changed, a sum of \$9.507 million has been made available, and it has been an exceptionally successful changeover.

Mr BASS: What has been the cost of the corporatisation of the bank, and what is the budget for the coming year as part of the sale process for what is now BankSA?

The Hon. S.J. Baker: Members would appreciate that \$15 million was made available for the process of corporatisation. It is pleasing to report that we have finished under budget, that the actual expenditure during 1993-94 was \$9 902 204, and that there is a further budget for 1994-95 of \$4 million. I understood that the \$15 million was made available virtually for expenditure during 1993-94 so, if you draw a line through that and even take the additional costs put down in the 1994-95 budget, you will see that we are within the total budget.

Mr QUIRKE: Before I proceed on this, I should point out to the Deputy Premier that as far as we are concerned BankSA has done its bit here, and we would be quite happy to move on to the rest under this line, unless members opposite still have some questions on it.

Mr CONDOUS: I refer to one of the largest assets that is owned by the bank. Can the Treasurer please provide the details on the full impact on the former State Bank of the cost of building the Myer Centre? What is the expected time frame for the sale of the Myer Centre, and what level of interest has there been from potential buyers to this point?

The Hon. S.J. Baker: The Myer Centre has previously advised Parliament that the legal debt as at 1 August 1994 was \$924 million, and that comprised interest suspended at \$259 million and write-offs of \$384 million. That left a book debt of \$281 million and a current provisioning of \$126 million, so the current written down carrying value of the centre is \$155 million. Members would note that that \$155 million has been further reduced by the cost of providing different accommodation within that centre, which is being met, so the net value is \$151 million. Then, turning to the losses to date, we see that there is a current provisioning of \$126 million.

On 30 June 1991 \$210 million was written off; on 30 June 1992 there was a provision of \$129.5 million, and that was written off on 28 January 1993. It was necessary to bring the asset under single control, so there were write-offs associated with the pay-out of the syndicate of \$44.5 million. That took place on 6 July 1992, and interest of \$259 million was suspended. So, to date, \$643 million of the \$924 million has been brought to account, and there is current provisioning of \$126 million. If we add up the bits and pieces, we see that we have not much left of our \$924 million.

The Myer Centre is under active consideration. It has improved its profit performance. We believe it will continue to improve its profit performance and therefore become more marketable. At 30 June 1993 net income was \$8.6 million. It improved by 9 per cent as at 30 June 1994 to \$9.4 million, so there was a 9 per cent increase in net income and there was a 4 per cent increase in turnover from \$156.3 million to \$162.4 million over the same period. The number of people who visited the centre to the year ended 30 June 1993 was 13.11 million compared with 13.73 million to 30 June 1994. That was an increase of 4.7 per cent.

Occupancy rates are improving as well. Retail occupancy stands at 86 per cent, whereas previously it was 81 per cent. Office accommodation now stands at 94 per cent whereas previously it was 43 per cent. There has been a significant improvement in performance and we will see that translated into dollars and cents during this financial year. The translation of those trends into higher profit figures will dictate the ultimate selling price of the centre. We are not in any hurry

to sell the centre this year. We believe that circumstances may be propitious next year to proceed with the sale, and if they are we will do so.

Mr QUIRKE: The sale process for the State Bank seems to have slowed somewhat. If what you said a moment ago is correct, that the Federal Government is advancing \$158 million or \$159 million of the \$243 million which is the final dividend on the sale of the bank—

The Hon. S.J. Baker: There is another \$75 million to come after that.

Mr QUIRKE: If that is the case, it must be satisfied with the sale process. Is the Government locked into a float of the State Bank or is it still considering a trade sale?

The Hon. S.J. Baker: We have not closed off any option. We have seen difficulties created in the share market in recent times. The share market last year changed considerably and we can no longer assume that it will be the appropriate place to launch a bank. However, we have a strong desire to ensure that the decision-making associated with the State Bank stays in South Australia. One of the more certain means of doing that is to float the bank, perhaps with some provisions associated with it. How we proceed with the sale will be subject to what we believe the market place is telling us. At this stage the preferred option is to proceed in tandem with a trade sale and float to ensure that we maximise the potential of either option. Obviously, price is vital. It is of significance to the taxpayer, but other considerations need to be brought to bear.

Mr QUIRKE: In what sort of time frame will this unfold?

The Hon. S.J. Baker: The time frame has been mentioned to the Parliament on a number of occasions. When we reiterated our desire for a float, we said that the bank had to demonstrate its worth in the market place and provide the market place with some profit figures that it could look at, analyse and reach a conclusion on as to its worth in a trading sense as a private bank. The market has not had the benefit of that to date. The first year's trading results are due probably in August and will be finalised by the annual report in perhaps October of next year. Unless circumstances change, our intention is that that would be the time frame in which the process for sale will get under way.

Mr QUIRKE: The value of the bank that you anticipate getting in a float or trade sale has on a number of occasions been mooted to be about \$800 million or \$1 000 million. Is that still the figure that you are playing with; if not, what figure are you playing with?

The Hon. S.J. Baker: I should like to disabuse the honourable member of that point. I do not know of anybody who has said that the bank is worth \$800 million.

Mr QUIRKE: The Premier did.

The Hon. S.J. Baker: There have been certain extractions of capital since the Premier, in opposition, made his statement about the worth of the bank and the final form it would take. In opposition we had a certain amount of information available to us. We received very good professional advice when we came to office on the size of the bank that we should have, and that was significantly smaller than the honourable member or I would have envisaged when we first considered the bank. That changed the nature of the bank significantly with regard to what we perceived was an appropriate size without any professional advice to guide us.

The value of the bank relates to its earning capacity. The honourable member can probably form his own conclusion on the multiplier factor. Depending on interest rates, it can oscillate between 8 and 12. Those figures have been used:

when interest rates go very high, the suggestion is that it could be as high as 8 and, when they go low, there is a suggestion that 12 is an appropriate factor. Someone has to draw a conclusion on the underlying profit of the bank and do their own multiplication. We believe that the bank is worth between \$550 million at the bottom end and \$750 million to \$800 million at the top end. To get the \$750 million to \$800 million requires propitious circumstances. To get only \$550 million at the bottom end requires certain markets to regard banks in a leper capacity. Those are the ends of the spectrum. I really think it will depend on what the markets are doing at the time.

Mr CONDOUS: Will the Treasurer advise the Committee about the trading performance in general of the Myer Centre? You mentioned the occupancy rates. I had a walk around the centre during the lunch break. I understand that the performance of the Myer Centre is under the control of the South Australian Asset Management Corporation. What steps have been taken to improve the centre? When walking around the centre, I noticed that most of the vacant tenancies were on the upper floors, although there was a vacant tenancy only two doors east of the Myer entrance on level three. What is being done to promote and get full occupancy in view of the recent general community criticisms that have been levelled at the fun palace at the top?

The Hon. S.J. Baker: We believe there are some areas where the Myer Centre can improve its trade and the desire of people to participate in it, whether buying or riding. Our professional advice suggests that probably four or five things need to be done. There is a suggestion that we must get the tenancy mix right. The tenancy mix has been dictated really by who has walked through the door to a certain extent, although there has been an attempt at placement. We believe that the dynamics of the centre can be improved, and we understand the management of the centre will embark upon that. Suggestions have been made—and there is good economic sense in them—that the costs of running the Myer Centre can be reduced. We have been informed that the administration, maintenance and other costs associated with the centre are too high and that there is an opportunity to reduce them.

Anyone who has been to Dazzeland would suggest there is a level of noise that does aggravate certain patrons. It is appropriate to have Dazzeland consolidated on the top floor. That will not therefore restrict people's desire to go up to floors higher than they are at the moment.

There is the suggestion that the car park should be leased to an external operator rather than operated by the centre, and that is being pursued, as is the leasing of vacant areas in the retail section. As you can appreciate, Myer has a lot of space which remains unused. Evidence from elsewhere suggests that this is useable space and should be taken up by stalls or some other attractions. These are the areas where we have been advised that the Myer Centre can improve its performance and obviously its sale price in the process.

Mr CONDOUS: As a supplementary question, I am glad the Treasurer mentioned the right mix, because the second reason I went there was to buy a simple game of draughts for my daughter and could not buy it in the entire centre, which is ludicrous. I would imagine that Sunday trading would give assistance to the filling of those tenancies because of the vigorous nature which I expect Sunday trading to have on the city. I had enormous criticisms during my time as Lord Mayor that the developers of the site actually kept in the basement food section two of the best franchises that were

available. Are they still in the occupancy of the original directors of Remm and their families?

The Hon. S.J. Baker: The answer to the second question is 'No.' The answer to the first question is 'Yes, the tenancy mix is important.' I know that overseas they spent a lot of time working out how you actually get someone through the door and then how you get them up to the next floor and the floor after that. Their attractions are structured accordingly. If we look at the way in which stores traditionally operate in Adelaide, we see they do the same thing. We know that refrigerators and floor coverings are always stuck upstairs somewhere out of reach and some of the lower ticket items are placed strategically. Your comments about the mix and the provision of a variety of shopping opportunities is something that will be addressed. You are quite right when—

The Hon. FRANK BLEVINS: I thought you claimed full credit for the Myer Centre. I remember all these press releases—

Mr CONDOUS: I was only advised by the Premier after the event happened.

The CHAIRMAN: Order! The member for Colton is quite out of order. The only witness before the Committee is the honourable Treasurer. It is quite improper for questions and badinage to be passing across the floor between members.

The Hon. S.J. Baker: Absolutely, Mr Chairman. I would have thought that the former Treasurer of this State would be quite clear why the Myer Centre actually proceeded in the first place and why pressure was put on the State Bank to accept the liability that could—

The Hon. FRANK BLEVINS interjecting:

The Hon. S.J. Baker: The member for Colton had nothing to do with the decisions, but I can say that the member for Giles had a lot to do with the decisions. I would have thought—

The Hon. FRANK BLEVINS interjecting:

The Hon. S.J. Baker: He was a Minister of the Crown at the time and I would have thought that the former Minister would keep his mouth shut when we spent \$964 million for a \$155 million asset. I would have thought the last thing he would be doing would be reflecting on the member for Colton in his capacity as Lord Mayor at the time, welcoming another addition to the shopping opportunities in Adelaide. He would have had no idea whatsoever of the financial mess being created by the former Minister and his Government.

We believe that the issue of Sunday trading is important, and it will obviously inject new lifeblood into that centre and into all the shopping areas of Adelaide, because we believe it will be—

The Hon. FRANK BLEVINS interjecting:

The Hon. S.J. Baker: No, he cannot, actually.

Mr CONDOUS: As to your first comment 'No.' I would just like to correct you: I knew about the Myer Centre when I read it in the paper. As to the second—

The CHAIRMAN: However interesting this line of conversation may be—

Mr CONDOUS interjecting:

The CHAIRMAN: The honourable member will not speak when the Chair is in control. The honourable member for Giles, who has a very gentle voice, the interjections from which the Chair cannot pick up clearly, is obviously still out of order in making any comment whatsoever. It is the Chair's impression that the member for Colton's question still remains unanswered despite the last 10 minutes flow. Is the member for Colton satisfied with the response which he

obtained? I am not asking the honourable member to make further comment: I am simply asking whether he is satisfied with the response.

Mr CONDOUS: No, I am not satisfied.

The CHAIRMAN: Would the honourable member like to repeat his question.

Mr CONDOUS: I asked the Treasurer whether the original directors of Remm were still tenants in two lucrative tenancies within the centre. He said 'No.' What I would like to know is: have they sold out, did they sell out for a lucrative capital appreciation, and was there any repayment back to the State?

The Hon. S.J. Baker: Sorry, with all the byplay going on, I misinterpreted the question. I understood it to be whether Remm was still involved in the management of the section. You are asking whether Remm or the directors of Remm had shops in the Myer Centre which they still held onto or had sold. I do not have that detail at hand. I will check to see whether that information is readily available: if not, I will take it on notice. The answer is, 'Yes, there were', and the answer I gave to what I thought was the question originally is still right: no, they are not now. They did provide their tenancies for sale. Those tenancies were sold. I have no indication that they received particularly beneficial treatment for the sale of those shops. I have no information to hand which would make me think otherwise.

Mr CONDOUS: I will put the question in writing.

The Hon. S.J. Baker: I am happy with that.

Ms HURLEY: While we are on the subject of major properties being transferred into SAAMC, I was wondering about 333 Collins Street. What is the proposal for that building? Is it to be sold and, if not, what is happening there?

The Hon. S.J. Baker: Obviously we will sell the building. I make quite clear that the South Australian Asset Management Corporation has a limited lifetime. Everything within that portfolio will be quit or absorbed into another entity within the next two or three years, and that is the clear direction of the Government. It has a particular lifetime. If there are residual assets, and there are certainly some overseas borrowings that have to be managed beyond the lifetime of that corporation, they will be managed in some other form. The corporation will not exist perhaps past the next three years. There will not be a need for that corporation to continue. Everything within that corporation will be wound out. The answer to the question is quite clearly 'Yes.'

As to the question of timing, we have been monitoring the Melbourne markets. There has certainly been an improvement in tenancies in the building. The monitoring of the Melbourne markets shows significant improvement, particularly with respect to A grade properties. Again we would be looking at possibly advancing the sale of that next year, for example, depending again on what the marketplace is dictating to us at the time.

We continue to monitor these things and, if we believe there is an opportunity to create a lot of active interest—not just one buyer but much active interest, so that we can get a competitive bidding environment—that is the appropriate time to take it to the market. The signs are improving for Melbourne and our information from Victoria is that prime real estate such as 333 Collins Street is actually improving in value and we expect it to continue to improve.

Ms HURLEY: What is the level of tenancy now?

The Hon. S.J. Baker: The current occupancy level is at 35 per cent and that will increase to 56 per cent with the occupancy of Coopers and Lybrand in about April to June

next year. That will take the level to above the 50 per cent mark and we would like to further improve on that, but at least we have a solid base from which to work and there is a rental stream that will flow from that, although there have been some rental holidays, as members will appreciate, which were signed by the previous Government and which we ourselves in Government have had to look at. Specific arrangements have been put in place to attract custom and tenancy to that building. Again, the market is telling us that these sorts of attractions are no longer as compelling as they have been previously, and so we expect some natural tenancies to flow simply on market rents rather than special occupancy incentives.

Ms HURLEY: Is there no compulsion to sell the building within the life of SAAMC so that, if it is not sold within that time at a reasonable price or if the market is still rising, the building will be transferred to another organisation?

The Hon. S.J. Baker: I intend to sell the property within the next two years.

Ms HURLEY: Regardless of the price?

The Hon. S.J. Baker: No one can foretell what the future will hold, otherwise we would not have had 333 Collins Street and the Myer Centre on our hands. We leave it up to particular people to advise us where the market is, if it is on the rise and whether the rise is likely to continue and for how long. I believe the economic recovery is indeed fragile and, if we suddenly have the wages breakout or an inflation increase, the optimism that is starting to translate into improvements in CBD prices in New South Wales and particularly in Victoria, if the economic recovery continues at the same pace, prices will continue to move upwards. However, if the structural weaknesses of our national Government's finances do cause us some difficulty on the inflation and wages front, then that escalation in values will come to a halt dramatically.

The market tells us, but there are various scribes and no-one ever gets it right. We could have a strong economic growth pattern for the next two or three years under reasonable circumstances. On that basis, we should be in the marketplace then. As everyone here would recognise, we are in a cycle and it is not due to the good efforts of the Federal Government that the economic improvement has taken place. We are in the start of a strong cycle and the strength of that cycle is a product of the dramatic decline resulting from the high interest rates that prevailed in the late 1980s. We are in a cycle, but the cycle will last only for a particular period and we have to get it right. I am saying to the Committee that people will advise me—not me advising them—on what is the appropriate time to sell. I suspect, from the way the Federal Government is running its finances and budget, that it might be a good idea to sell sooner rather than later because this recovery may not be sustained.

The CHAIRMAN: As there are no further questions, we will now deal with SGIC as agreed between the parties.

Additional Departmental Advisers:

Mr Chris Ewart, Parliamentary Liaison Officer, SGIC.

Mr Malcolm Jones, Managing Director, SGIC.

Mr Bruce Sheldrick, Secretary/Finance Manager, SGIC.

Mr QUIRKE: The total salary bill for executives has increased from \$1.2 million last year to \$1.223 million this year. When the Treasurer commented on this in December last year he said:

The days of the super salaries will no longer be tolerated. We have got to be hard-nosed about this.

Now we see that these salaries have increased. In view of the promises made to cut such salaries, why has the Treasurer not only tolerated these salaries but seems to have sanctioned a further increase?

The Hon. S.J. Baker: I thank the honourable member for his question, but I have not sanctioned anything. As to total remuneration paid in SGIC, at 30 June 1993 there were nine executives, and at 30 June 1994 there were nine; in subsidiary companies there were four executives in both time frames, and that represented a reduction from 12 in SGIC originally, but I will have the situation checked out. The number of executives was reduced. I remember the honourable member discussing the number and remuneration level of executives in the Economic and Finance Committee when he was Chairman of that committee. The total remuneration paid has not kept pace with inflation: compare a salary bill of \$1 718 634 with \$1 754 269 for the year ended 30 June 1994. The salaries have fallen behind inflation. The average salary for both SGIC and subsidiary companies for the year ended 30 June 1993 was \$132 303; for the year ended 30 June 1994 it was \$134 945.

The average salary for the 1992-93 financial year for SGIC itself was \$133 569, and \$135 895 in this last financial year. So, there has been very little movement in salaries, as the honourable member can fully appreciate from the figures just provided. There is also the full year effect of two items: the Chief Executive Officer's salary was not fully taken into account in the 1992-93 year because of the time of his appointment, but it is included in the 1993-94 year; and an additional director has been appointed to Austrust to strengthen the Austrust board. Basically, the numbers are very much as they were previously.

Mr QUIRKE: What is the Treasurer's estimate of the amount of capital provisioning necessary to bring SGIC onto the market?

The Hon. S.J. Baker: The honourable member makes an assumption about the process of sale and what will be sold in relation to SGIC. If we wish to put SGIC on the market as a company that will withstand the scrutiny of the ISC, our advice is that we may need a capital input of perhaps \$120 million. I am not firm on that figure because certain circumstances have changed in the past year, but I looked at this prior to the last election and I do not think it has changed a great deal since that time. There may be better information on what would be required.

To place SGIC on the market would require—if we are going to a float—the company to be capitalised. You cannot send a bankrupt company onto the market under the prevailing rules. There are ways of handling that situation which would indicate that the degree of under-capitalisation should not present a difficulty, assuming sufficient financial backing was available for that process to occur. I have not gone into it in great detail. It might require a cheque to be written out and banked or held in bank, or whatever may be the case. I am suggesting to the honourable member that the demand for us to come up with a large sum of money in order to market SGIC is not necessarily true. Of course, if SGIC is sold by trade sale the requirement for that extra capital would certainly not be an issue.

Mr QUIRKE: What then is the estimate of SGIC's worth?

The Hon. S.J. Baker: I would not be talking to the Committee in those terms at this stage.

Mr QUIRKE: I have a supplementary question.

The CHAIRMAN: I can understand the Treasurer's reply in terms of the commercial confidentiality involved; that was all I assumed.

Mr QUIRKE: I do not know that he is claiming that.

The Hon. S.J. Baker: I am. The honourable member would clearly understand that if I canvass prices within this Committee that would limit our capacity to achieve the best possible result for the taxpayers of South Australia. I am not about to canvass any likely return from SGIC, and I have never done that.

Mr QUIRKE: The sale of SGIC then, I presume, will go down the same road as the way in which the Government has dealt with BankSA. The Treasurer was not as coy when he talked about the envelope containing the sale price of BankSA. To refresh his memory, he told this Committee that the envelope contained a price of somewhere between \$550 million and, at the top end, \$750 million to \$800 million. He seems to be much more coy about SGIC. Is the Treasurer prepared to at least countenance the question in the same terms, because I would have thought that the State Bank had every bit as much commercial incompetence about it as SGIC.

The Hon. S.J. Baker: The honourable member makes a number of assumptions. If I said, 'We believe it's worth somewhere between \$120 million and \$250 million net', I am not sure I have helped the Committee whatsoever. With the State Bank, or BankSA, I obviously canvassed that wide field, about which everybody knows and has done sums over a long period. We have had a look at SGIC, but I have not considered the matter in depth at this stage. I have been given particular advice on what might occur under particular circumstances. We have a wide set of parameters and, if the honourable member wants us to say that SGIC's net worth is between \$120 million and \$250 million, I am not telling anybody anything they might not already know.

Mr BUCKBY: As we know, SGIC is the third party insurer in South Australia. Can the Treasurer inform the Committee how South Australian third party insurance premiums compare with those in other States?

The Hon. S.J. Baker: The area of third party insurance has been particularly well handled by SGIC over a period. South Australia still compares favourably with other States. As at 30 June 1994 the average premium for CTP in South Australia was \$201; New South Wales, \$230; Victoria, \$280.50; and Western Australia, \$242; Queensland and Tasmania are significantly lower; Queensland, \$166; Tasmania, \$158; Northern Territory, \$185; and the ACT, \$160. CTP costs in South Australia compare favourably with our interstate counterparts. Of course, there is a word of warning: some States are lower than South Australia and we must look at ways of ensuring that those rates remain low and see if we can provide a further competitive advantage.

Mr BUCKBY: What is SGIC's policy for ensuring that customer information remains confidential and is not given out to market research agencies or the like?

The Hon. S.J. Baker: An issue was raised by the member for Hart, who unfortunately is not here today, and I took that matter quite seriously. A suggestion was made that SGIC had been selling information from its customer base to other parties for various purposes. I have had an assurance from SGIC that it does not sell its information to anyone. The customer base is used only for market research purposes, to

check on SGIC's own customer satisfaction. Any competitive company works out its strengths and weaknesses, and SGIC imparts its customer details only for the purpose of getting a survey firm to check on its performance, which is something that I applaud.

A question was raised about a person who had approached the member for Hart, stating that, despite having an unlisted telephone number and receiving an assurance from SGIC that people would not telephone her on its behalf, she had received a further phone call. SGIC did a substantial amount of work on that complaint, and not only did it look at its own records but it also went to the records of the company which is responsible for its market research. It found that the person concerned had been taken off SGIC's database and that her file had been flagged with 'no mail' so that the telephone and the mail system were deemed to be out of bounds. Also, an approach was made to the market research company which was being used and which also went through its records and confirmed that that name no longer existed on its files for survey purposes.

In an effort to overcome the apparent problem, SGIC offered—despite its research—to put in a new telephone with a new unlisted number for the person concerned, but that was refused. She then contacted the member again stating that she had received another phone call. SGIC assures me—and I know the effort it has already made on this matter, because I received a briefing note—that it could not have come from the source to which this lady refers. SGIC does not sell its information—it keeps it strictly confidential. That information is used only for its own purposes, and it is a purpose I applaud in terms of understanding its customer base. Therefore, the question of who made the telephone calls to which this lady refers remains a mystery.

Mr BUCKBY: What is SGIC's policy on loans given to directors of SGIC? What is the extent and the status of these loans?

The Hon. S.J. Baker: The issue of loans to directors of SGIC has been a matter of some public comment over the past two years. Members would be well aware that the Chief Executive Officer, Mr Malcolm Jones, in June 1991 obtained a loan for \$450 000, and that was in keeping with the policy of SGIC at the time for whichever employee sought a loan. The ratio of the loan to the Valuer-General's valuation at the time was 70 per cent, and the loan to purchase price ratio was 87 per cent, so the loan was deemed to be commercial, and the details were provided at the time. That loan still exists and is being paid off appropriately.

Another matter which has been the subject of public comment relates to Mr Vin Kean, who is a director and shareholder. Mr Kean had interests in the following loans: the Marburg Lodge, comprising \$400 000; and United Landholdings Pty Ltd of \$2.946 million, making a total of \$3.346 million. In 1988, a loan of \$20 million was provided to United Landholdings to finance the property development at 1 Anzac Highway. The loan has since been reduced to \$2.946 million through the sale of 1 Anzac Highway to ETSA, with a property swap for 220 Greenhill Road. To further raise finance to reduce the loan, the floating and sale of United Motors took place as well as the sale of certain other properties. The interest on the residual loan is up to date; there is a second mortgage over the ETSA property; SGIC holds a first mortgage over other properties; and there are several guarantees of Mr W. Hayes and Mr Kean.

The sale of 220 Greenhill Road to the Gannon Group, which had proposed a major residential development on that

site, has fallen through and SGIC will now not be repaid from this source. In the absence of a firm contract of sale for the ETSA property, or alternatively a strategy for the disposal of other property assets, SGIC has advised the borrowers in writing that, in the exercise of its right under the loan agreement dated 31 October 1988, it proposes to instruct solicitors to serve a formal demand for the repayment of the outstanding principal and any other moneys payable under the loan agreement within 30 days. In the event that repayment is not forthcoming in this period, SGIC will have no alternative but to exercise its security. SGIC is confident that the money will be forthcoming, and that is the current situation.

Ms HURLEY: The notes on the SGIC financial statements show that, on paper, SGIC had a \$1.9 million foreign currency loss in 1994 compared with a gain of \$1.4 million last year. What is the approximate value of SGIC's total foreign currency transaction, and does SGIC hedge all its foreign currency transactions?

The Hon. S.J. Baker: The answer to the honourable member's question about hedging is that all departments and agencies are required as a matter of course to hedge and not allow themselves to be subjected to currency exposure. If any department deviates from that rule, they are in deep strife. Mr Jones can probably answer the question more readily than I can.

Mr Jones: In SGIC's accounts, the run-off of our overseas inwards re-insurance book is denoted in foreign currency. In those provisions we probably have three components: actual liabilities that have been notified; what we term an incurred but not reported factor; and an additional factor that we allow over and above that—it is just an additional comfort margin to provide against an adverse movement that we do not expect. We have foreign currency that matches the first two of those three items. The actual liabilities overseas are matched in foreign currency with what we call an IB&R factor. We then have an additional contingency factor which is not matched in overseas currency. As the liabilities vary, it will also vary, and that is why there are minor movements in the foreign currency gains and losses accounts.

Ms HURLEY: It is my contention that that is scarcely a minor movement.

Mr Jones: In the context of the amount of the provisions, which are \$40 to \$50 million, it is only fairly small in the whole equation. The movement is in respect of the provisioning; it is not an actual loss of money.

Ms HURLEY: I now refer to property investments. According to the notes on page 31, there has been a substantial increase in SGIC's current property portfolio. Property holdings are shown to have increased from \$1.335 million in 1993 to \$13.4 million in 1994. What are the key factors in property investments that account for this substantial increase?

The Hon. S.J. Baker: The member is quite correct; there has been an increase in the investment in this area, and that fluctuates according to the prevailing market. I will ask Mr Jones to elaborate.

Mr Jones: I refer the member to page 23 and the notes on, first, investments and, secondly, properties. We value properties on a rotational basis so that properties at independent value or directors' valuation last year are not the same properties as this year's properties. We do them on a three year cycle. All properties are valued, but a different external valuer comes in and values them every year. That denotes which properties are valued at external valuation and what the

director's value is. That is why the two numbers have shown such dramatic movement.

Ms HURLEY: I may be wrong, but I thought you were referring to the line further down which has a director's valuation and an independent valuation. I am referring to current investments.

Mr Jones: The answer I gave before is the correct interpretation: the values are not comparable, because they are not the same properties. Do you understand that? I might have five properties and, say, every year I do two of them, but last year two were valued independently—maybe one and two would be in last year's figures and three, four and five would be in the directors' valuation. This year I may value four and five as being the independent value and one, two and three are the directors' value. The two numbers are the properties that were valued at directors' valuation from one year to the next, which are different properties.

Ms HURLEY: That is what you include under your consolidated accounts?

Mr Jones: You need to add all the property values together to compare the movements. They are all valued at current market values; it is just that some are valued by independent parties that we bring in and some are valued by our own property people. Over a three year cycle, every property is valued by an outside party.

Ms HURLEY: And what is presented in that line is the outside valuation?

Mr Jones: Yes, and you also need to look at the property under the non-current figures as well.

Ms HURLEY: Is that the same explanation as to why there is such a difference between the directors' valuation and the independent valuation?

Mr Jones: Correct.

Ms HURLEY: So, they are different properties being valued?

Mr Jones: Yes, and clearly properties will be sold from one year. We have not acquired any properties, so the movement from last year to this year is purely properties disposed of. So, there is a valuation movement plus a disposal movement.

The Hon. S.J. Baker: I refer the honourable member to the current and non-current figures, and the property directors' valuation under the consolidated figures, because that combines the various components. If you add up all those, you will note \$13.4 million, \$127.6 million and \$53.3 million as at 30 June 1994. Compare that with \$1.3 million plus \$129.7 million plus \$110.3 million, which presumably represents the sale of property in total.

Mr Jones: Last year's figures indicate that you have \$240 million worth of properties and this year we have \$190 million worth of properties. That \$50 million is when we refer to the directors' report—approximately \$150 million worth of property we have sold in the year—plus or minus any movement in valuation of properties existing last year or this year.

The Hon. S.J. Baker: You will see that some changes in the composition are listed on the equities and Government securities. The net addition to the total investments is some \$82 million, but the component parts have changed, so presumably property was sold and the funds were re-invested in securities, equities or some combination thereof, or floating rate notes, for example.

Ms HURLEY: What were the unlisted equities; what sort of investment was that? What does that \$10.6 million represent?

The Hon. S.J. Baker: That is subject to a special note: unlisted equities. We have controlled entities and unlisted equities. On page 39 you can see the changes, and they are the ones that are affected. If you compare the carrying amounts between 1993 and 1994 you can get some indication of the movements. We have had Alliance International reinsurance; Amdel, which is now sold; Angasi; Austereo, where there was a write-down; Berrivale Orchards, which is no longer held; Macquarie Investments improved; and SBC Dominguez Capital Partners Trust. They are all listed there. At the top we have Healthscope Limited. Members of the Committee may well recall that we have sold our hospitals; they were sold to Healthscope. Part of the sale was in cash and part was held in equity interest, and that was the \$11.26 million in equity interest represented in those 1994 carrying amounts.

Ms HURLEY: Where was that \$11.26 million?

The Hon. S.J. Baker: You will find that on page 39.

Mr BASS: The member for Light referred to third party insurance. Looking at the life insurance fund of SGIC, will the Treasurer provide details of the fund's solvency?

The Hon. S.J. Baker: Yes. In life insurance SGIC is doing well. In fact, it conforms with the national dictates. To be more explicit, at 30 June 1994 SGIC's life fund exceeded the required amount of solvency reserve as defined by the Insurance Superannuation Commission in ISC circular 273 by \$27.6 million. The level of total reserves available to the life fund was \$65.592 million, while the amount of reserves required by the ISC was \$37.979 million. In the life fund there are more than adequate funds to meet the solvency provisions of the ISC. That matter was subject to considerable debate when I was in opposition. We asked about the extent to which SGIC did not comply with the requirements of the ISC because it was a State Government-operated entity. As we can see from the figures, it now more than complies.

Mr BASS: Why did SGIC sell its private hospitals to Healthscope Limited, and what was the outcome financially?

The Hon. S.J. Baker: SGIC received an offer from Healthscope to sell its seven hospitals, six of which were in Adelaide and one in Darwin. The agreement was for \$60 million in cash and a \$15 million equity interest in the listed Healthscope Limited. Whilst the hospitals have been a sound investment for SGIC, producing returns of between 13 and 15 per cent, the magnitude of this unlisted investment in a highly specialised industry was not considered to be an appropriate risk profile to match the insurance liabilities at source investment. The sale of SGIC hospitals resulted in a profit of \$6.3 million and an improvement in the balance of SGIC's investment portfolio. On page 39 of the report, it will be noted that there has been some write-back of that holding as a result of share market movements, but it is still a healthy position in terms of return to SGIC.

The Hon. FRANK BLEVINS: I should like clarification on foreign currency cover. The Treasurer was very firm that not a dollar of exposure would be permitted. After the answer from Mr Jones—a somewhat complex answer off the top of his head, and I am not suggesting he was attempting to confuse the Committee—will the Treasurer look at that answer and get back to us on it; and is every dollar in SGIC covered?

The Hon. S.J. Baker: I accept the comment made by the member for Giles. I understood the reply from the Chief Executive Officer. We have a firm policy on overseas transactions which is required to be pursued. I will consult the Chief Executive Officer. It appeared that it was being

observed, but in terms of the standards that we apply within the public sector, particularly in relation to State Government transactions, there may be some slight variation with which I am happy to live. However, I will raise the question with the Chief Executive Officer.

The Hon. FRANK BLEVINS: But you were so emphatic that every dollar was covered.

The Hon. S.J. Baker: That is the instruction that has been given and under which we operate. Treasury has a special operation to ensure that that is accommodated. Given the answer, I do not think there is any difficulty in the way that SGIC is operating, but I will take further advice on that point.

Before we get to the SAFA line, Mr Chairman, there are certain items on which we do not need to come back to the Committee. I will provide the information now rather than continue the paper war. In terms of the art collection of the State Bank of South Australia, a recent audit—the letter I have is dated 30 June so the audit took place prior to that—showed 299 pieces with an estimated current value of \$968 200. The collection was purchased over time at a cost of \$680 500. There are 23 pieces which cannot be accounted for. The purchase price of these pieces is \$15 545, and there are five pieces only valued in excess of or bought for more than \$1 000.

With the formation of BankSA and SAAMC, it was decided that an appropriate division of this art collection should be made. As a result, 82 works with an original purchase price of \$233 980 and an estimated current value of \$337 800 are to transfer to BankSA. The balance, comprising 193 works at a cost of \$431 000 and an estimated current value of \$611 410, will remain with SAAMC. As the purchases were expensed in the year of purchase for accounting purposes, there are no accounting issues in the division of the collection of art works being vested in BankSA and SAAMC.

Further, with regard to alcohol, all wine costing in excess of \$15 per bottle was offered for public auction on an anonymous vendor basis. The auction, held on 8 July 1994, resulted in the sale of 1 858 bottles netting \$34 895, after commission. This amount is to be paid to SAAMC. There were 434 bottles which did not reach reserve, and they were to be resubmitted for auction.

Additional Departmental Advisers:

Mr P. Ploks, Assistant General Manager, Funding and Investment, SAFA.

Mr I. McGlenn, Chief Accountant.

Mr J. Wright, Director, Debt Management.

Mr QUIRKE: SAFA recorded a surplus of \$426 million in 1993-94, and \$345 million of this was paid into Consolidated Account. Budget forward estimates prepared by Treasury last year estimated that SAFA's surplus and contribution to the budget in future years would be approximately \$403 million in 1994-95 and \$408 million in 1995-96. The SAFA annual report states that the estimated operating surplus for 1994-95 will be approximately \$120 million and not \$403 million as previously estimated. Will the Treasurer outline all the factors which have resulted in the estimated reduction in SAFA's 1994-95 surplus from approximately \$400 million down to \$120 million?

The Hon. S.J. Baker: It is a very important question, because there has been a complete change in the role of SAFA, as the honourable member would recognise. It will no longer be used as a cash cow and plaything of Government.

It will be an organisation strictly focusing its attention on the raising of money for Government needs at the cheapest price and the placing of surpluses that exist from time to time in the best possible position in the market.

SAFA achieved an operating surplus, before abnormal items, of \$246 million compared with \$384 million in 1992-93. The decrease was in line with expectations and largely influenced by the following factors, which must be borne in mind when you look at the forward projections of what SAFA was actually going to contribute to the budget. Some of those items will come directly through Treasury rather than SAFA. First, in terms of the \$246 million, there has been a change in SAFA's accounting policy. As indicated in note 1 of the financial statements in SAFA's 1993-94 annual report ('Statement of accounting policies'), a new policy was adopted in 1993-94 with respect to accounting for gains and losses resulting from debt management transactions. In 1992-93, accounting gains totalling \$31 million were included as profit, whereas under the new accounting policy approved by me, accounting gains for 1993-94 totalling \$72 million have been deferred and will be brought to account progressively over subsequent years.

That is a very important issue. I know that certain transactions took place under the previous Government where gains were brought to account at the time and then pushed through the budget to prop it up at the time. I commented on that matter on a number of occasions. The former Treasurer would recognise that not only have we had more recent advice on this issue but even the Government Management Board report recognised that such gains should not be brought to account in the year that they occur but should be spread over the years of conceivable benefit or the period to which the original transaction related. So, there has been a change. The Auditor-General has actually commented on that change because, under certain accounting standards, you are required to bring these to account immediately. However, we believe it is more appropriate budgeting practice to spread such gains over the period of the particular instrument which has been disposed of.

Secondly, it was influenced by the exclusion of a guarantee fee from the common public sector interest rate (CPSIR). As foreshadowed in SAFA's 1992-93 annual report, in 1993-94 guarantee fees on borrowings by SAFA's clients were, for the first time, not levied as a component of the interest charged by SAFA. These guarantee fees are now levied directly by the Treasurer and paid into Consolidated Account. The estimated effect of this change in 1993-94 is a reduction in SAFA's operating surplus of \$66 million.

Previously, again as the honourable member would understand—and it was a practice I condemned at the time—there was a loading on the borrowing of those funds sufficient to create a surplus. If an agency was operating in deficit, we were simply capitalising the interest rates and in fact increasing the debt. So, there has been a change in that policy as well.

Finally, it was influenced by a reduced contribution from the South Australian Finance Trust (SAFT). In 1993-94, SAFT also adopted a revised policy with respect to accounting gains and losses, as discussed with SAFA in connection with the matters mentioned previously. In 1992-93 accounting gains in SAFT totalling \$7.7 million were included in profit. In 1993-94 accounting gains totalling \$20.1 million in SAFT have been deferred and will be brought to account progressively by SAFA over subsequent years. In addition, the reduced contribution reflects the progressive wind-down

of the reinvestment activities of SAFT. At 30 June 1993, SAFT had assets totalling \$3 782 million, whereas at 31 May 1994 total assets of \$2 250 million were available for transfer to SAFA.

SAFT was set up for investment activities. No simple operation could be undertaken at the time, because of the rules that prevailed regarding the Federal Government. SAFA was set up for the purpose of operating the Government's borrowing program, and a number of subsidiary companies were also set up for a particular purpose. SAFT happened to be one of those and that is one we are winding ourselves out of.

The abnormal items which affected the surplus available for distribution in 1993-94 included a contribution from the Electricity Trust of South Australia. In 1993-94, I determined that the contribution from ETSA on the non-repayable capital held by SAFA would equate to interest at the CPSIR plus \$100 million. Further, it included the sale of SAGASCO shares. As a result of selling its total holding of 112.2 million SAGASCO Holdings Limited shares, SAFA generated a profit on sale of \$80 million.

The amount available for distribution has obviously increased, and the operating surplus, after abnormal items, is \$426 million; the retained surplus from the beginning of the financial year is \$233 million; and the transfer from the asset revaluation reserve of realised capital profits on the disposal of non-current assets, such as SAGASCO, is \$257 million. So, there has been a significant improvement in those reserves. That adds up to \$916 million. Our expectation of the operating surplus for 1994-95 is \$120 million. The reduced estimate surplus reflects in large part the reduction in the Government's capital contribution from \$1 864 million to \$1 143 million in June 1994. That is a significant factor in the generation of the operating surplus of SAFA's capital base, which has been used to fund loans to semi-government authorities or investments in secure assets.

In addition, the reduced operating surplus reflects the run-down in reinvestment activities previously undertaken in SAFT. The estimate is subject to some degree of uncertainty and that relates to the possible further reduction of SAFA's capital. These will feed back into the budget in ways different from those in the past, so you cannot compare the \$120 million with the \$420 million forecast, simply because we are changing the whole structure of SAFA. I cannot tell what the exact equivalent is, because a lot of these reflect accounting changes that have taken place. Perhaps the Under Treasurer can give some idea of the equivalence under the new procedures being adopted.

Mr Boxall: I will take that question on notice.

The Hon. S.J. Baker: We can give the honourable member a figure. We can probably divide it into those that relate to policy decisions and those that are accounting changes. I will provide that advice.

Mr QUIRKE: Where do we go from here? We understand what has happened in terms of restructuring and how the amount of surplus has been drastically reduced, but what are the estimates for 1995-96, 1996-97 and 1997-98? Figures in the last budget indicated what the estimated surplus would be. What figures are we dealing with for the next three financial years?

The Hon. S.J. Baker: We have placed \$120 million into the forward estimates for the forthcoming financial year and the full year effect of our policy changes will mean there will be a flow of \$60 million in the out years. To a certain degree that reflects the changes in policy. I point out that, if you have

a certain amount of capital and a certain level of borrowings, sometimes it is cheaper to reduce the capital by paying off the debt than it is to retain the capital in the way it has operated in the past. Those are significant issues for the Government to consider and they reflect in the figures just stated. Unfortunately, there has been some capitalisation of debt in the past and we do not want to see that continue.

Mr QUIRKE: SAFA's retained surplus has increased from \$212 million in 1993 to \$554 million in 1994 largely due to the transfer of realised capital profits from the sale of SAGASCO shares. Theoretically, this amount could be paid into the budget. What are the Government's intentions regarding SAFA's retained surplus?

The Hon. S.J. Baker: I have not spent any time looking at that matter. I refer to my previous statement. The Audit Commission recommended, for example, that we reduce our holdings or surpluses to about \$150 million in assets. That was one of the recommendations, but it would cause the overseas markets to go into a wholesale flutter and question whether we were managing our assets particularly wisely because at least we have a significant amount of money tied up in the asset base of SAFA. That is a consideration, but obviously what we do with our retained surpluses and with SAFA's asset base will be the subject of discussion over the next few months, because we have to prepare and make changes in this area.

The Audit Commission requires a response to that issue, but I have not looked at it in depth at this stage. Obviously, it would be totally inappropriate to bring any capital gains of an abnormal nature to account in the budget and provide us with a short term boost for a reason that is not sustainable in the longer term. As to gains made on the sale of SAGASCO shares or any asset, I have made my views clear. The bringing to account of those gains should not influence the amount of money made available in the budget. We have talked continuously about the underlying deficit and the need to reduce the underlying deficit. Our question is how much money is needed to be retained in SAFA and how much we need to take off the bottom line and reduce our exposure.

As to debt, that is not affected because of the nature of the assets you are holding and, for ABS, Federal Government and our own accounting purposes, SAFA's financial assets are counted in the equation now so that, if we ran down our assets, it would not affect our debt. It would possibly affect only the amount of interest we pay.

Mr BUCKBY: The Audit Commission made a number of recommendations about the structure and role of SAFA. Many of those recommendations emphasised the need for SAFA to concentrate more on its borrowing and debt management functions: has SAFA taken any additional actions to consolidate its operations?

The Hon. S.J. Baker: Yes. We made it clear, it was clear before the commission produced its recommendations and it was reinforced by the commission, for SAFA to focus on its core activities. SAFA has been used and abused by the Government in the past for a variety of reasons. We have seen a number of assets absorbed within SAFA. Those matters were questioned at the time and those questions have since proved to us concerning certain policies pursued that some of the excesses or practices were possible because of the way the former Government used SAFA as a device to assist it in getting over political problems.

Of course, SAFA is a very sound organisation which has a strong market reputation both interstate and overseas. It is remarkable for a State of this size to have a funding organisa-

tion like SAFA that is so highly regarded in the marketplace both domestically and internationally. That was another good reason to focus even more on its market activities and take SAFA out of all those other areas from which the Government was using it for its own purposes. We have reduced SAFA's assets and, consistent with our desire to concentrate on its core functions, we have transferred the equity of the State Bank to the Government. That was transferred to SAAMC. There has then been a cross transfer back and some equity payment into BankSA, plus some retention within SAAMC, to which I referred earlier. There has been disposal of various other equity holdings, including interests in ETSA, and we are now talking about a return on assets from ETSA rather than an equity holding that then gets a return to Government.

As the former Treasurer would understand, that equity holding was \$110 million and we were getting back \$100 million a year under this arrangement. However, it is not appropriate for SAFA to continue to hold these interests. Enterprise Investments is now for sale. We have removed most of the property holdings from the balance sheet and transferred them to the responsible parts of the public sector.

We have continued to wind back on reinvestment activities over 1993-94, and reduced to a small rump our holdings of foreign currency assets. In all, there has been a \$721 million reduction in SAFA's capital base, and that took place as reported. So, there has been a significant decrease in SAFA's asset base. Looking forward to this year, further consolidation is proposed, and we will be winding down all or most non-core activities. We will be closing off various affiliated companies. We will also consider further reduction in capital. If anybody reads the SAFA report and looks through all the subsidiary companies, they will recognise that the only thing they do is confuse people.

Some previous reports have not provided information on the operations of subsidiary companies. The report quite often details only the operations of SAFA itself. It is a bit like the off balance sheet companies. In more recent years some information was provided on the subsidiary companies which was helpful in understanding the various roles played by the subsidiary companies established at the time. We will be enhancing SAFA's debt management and performance measurement functions through a Treasury management system.

We need to continually improve. Financial markets change dramatically overnight. It is like technology: it changes, and therefore as a State Government and as an organisation SAFA needs to keep up with the market-place, not only in terms of its products and what it is offering in the marketplace but also the systems which tell us how to manage our assets. In terms of the Commission of Audit recommendations covering the structure of SAFA's board and management, we will not be proceeding with the recommendation that SAFA be an independent organisation.

Mr BUCKBY: I am aware that SAFA conducted a policy of significant borrowings from overseas in the past. Can the Treasurer inform the Committee why SAFA borrows from overseas sources?

The Hon. S.J. Baker: For many years the Loan Council rules have permitted the States to borrow overseas to help satisfy their financing needs. Previously that has been through an instrument such as SAFA rather than through the auspices of Treasury. Since June 1992 the Loan Council has permitted the States to borrow up to 100 per cent of their programs offshore and, like its interstate counterparts, SAFA has taken

advantage of this rule to pursue cost effective borrowings overseas. SAFA has maintained a consistent policy of avoiding foreign exchange exposure on its offshore borrowings, therefore SAFA has been able to benefit from borrowing overseas at below domestic costs while not subjecting itself to the volatility of the foreign exchange markets.

Generally, SAFA avoids foreign exchange exposure on the funding it raises offshore by either swapping its foreign exchange liabilities back to Australian dollars at the time of raising the funds with high credit status counterparts (A rated agencies such as banks), or issuing A denominated securities in offshore markets. SAFA's name is well received in many offshore markets, supported by the State's strong AA credit rating. It has been able to take advantage of this investor demand to lock in substantial savings to domestic borrowing costs. As financial markets become increasingly globalised, it is crucial that SAFA pursues strategies to ensure South Australia has access to all relevant cost effective markets.

SAFA has increasingly sought to establish relationships and encourage transactions with a wider number of international financial intermediaries, which gives wider access to the markets and expands on our possibilities for financing. SAFA has undertaken offshore borrowings over 1993-94 in a number of currencies and markets, and SAFA's visits to international markets and financial intermediaries during the year are consistent with this strategy. We would like to put up our hand and say that we did a particularly good job in our launch into the South-East Asian financial community during 1993-94, commencing with an innovative Euro/Australian dollar bond issue in January 1994.

It sought to incorporate a South-East Asian management group to ensure its investors in this region receive the high level of services enjoyed by traditional European supporters of SAFA's Euro bonds. Not only do overseas borrowings provide cost advantages but they add to the diversity of funding sources available to both satisfy the State's funding needs and to manage the interest rates exposures on its overall debt portfolio. The major borrowing instruments we use are as follows: the public Euro issues; the Samurai issues in the Japanese domestic bond market; SAFA's multi-option, multi-currency debt instrument program; and the United States commercial paper program.

Because of SAFA's strong position and acceptance within the marketplace, we believe that we are making significant savings. During 1993-94 we believe we have saved in the order of \$18 million in present value terms. The primary source of savings is the longer dated offshore borrowings, where the differential between SAFA's borrowing cost domestically and offshore is greatest, and these cost savings are generated because overseas investors are prepared to pay a higher premium for SAFA's good name and strong credit rating. The Euro/Australian dollar bond issue was an exceptionally good movement into the market, because the cost of funds was more than competitive with what we would have achieved domestically. In fact, we even got below bond on that issue.

Ms HURLEY: The Treasurer's last answer is very interesting because I understand that at previous Estimates Committees he has been highly critical of SAFA's overseas borrowing. Why has he had a change of heart on this matter? The Treasurer mentioned the Euro/Australian dollar bond issue and called it 'innovative', which in the early 1990s was shorthand for risky. The Treasurer talked about longer dated offshore borrowings creating savings. Is it a change in

SAFA's operation or a change in overseas markets that has caused this conversion to the benefits of offshore borrowing?

The Hon. S.J. Baker: The honourable member needs to go back to the *Hansard*, which clearly show that I criticised playing the money markets with the excess liquidity that existed within SAFA.

The Hon. FRANK BLEVINS interjecting:

The Hon. S.J. Baker: Exactly right. The member for Giles has been of great assistance to the honourable member in preparing this question. I think that the member needs to go back through the records, because my concern related to money market activities which were not directly related to our borrowing needs, and that was made explicit at the time. It took a hell of a long time to get information on what was required for our domestic needs and how much excess money was put under the heading of 'liquidity'. I am pleased to say that the money under the 'liquidity' heading has been reduced significantly because we are playing the money markets with the sort of sums we are now talking about.

The question of whether I was critical of the Government or of SAFA has nothing to do with it; I was critical of the Government on occasions because it was SAFA's controlling entity, it was directly under the control of the Treasurer, and we were never able to get any information on any aspect of SAFA's trading. I am more than pleased to say that now we are winding back all these subsidiary companies and we are making it plain exactly what dealings are taking place. The concerns that I had are now being met by us being far more open about what we are doing with SAFA. That situation did not prevail under the previous Government. The member for Giles would well remember the difficulty I had getting any sensible information out of him; and, before that, under former Premier Bannon, the situation was far worse. We are getting improved information. I am closer to the scene than I was previously, and I can—

The Hon. FRANK BLEVINS: Can you understand it?

The Hon. S.J. Baker: I am not sure that the member for Giles understood it and, quite frankly, I am not going to claim that I completely understand it. Ministers can only rely on information and ensure that some fail-safe checks and balances are put in the system. The Government has changed, SAFA's profile is different, and it is quite clear that it is no longer going to be used as a plaything of Government. I do not have those concerns any more because I am in control of the system, and that makes me very comfortable.

The Hon. FRANK BLEVINS interjecting.

The Hon. S.J. Baker: The member for Giles is selectively quoting. I knew what the member for Giles was doing, except he never produced the information.

The CHAIRMAN: The Chair gets the impression that the member for Giles is manufacturing the bullets and seeking to answer the questions.

Ms HURLEY: Despite the Treasurer talking about officers in SAFA playing around, I think they have a very good record of financial management. However, as a result of TSPs SAFA recently lost about half a dozen specialist staff. What is the impact of those staff losses?

The Hon. S.J. Baker: Obviously changes have occurred throughout the State Government, and SAFA and Treasury are no different to any other agency. All agencies have been required to meet their savings tasks, and that has been done in Treasury and elsewhere. The issue of whether SAFA should have been left with the same complement of staff was addressed, and we have had a very satisfactory outcome. Obviously the role of SAFA has changed, and I would have

thought that the quality of staff rather than the number of staff is the issue.

Obviously we are looking for a director of SAFA, but we are satisfied with the quality of staff, and in fact some of the staff employed by SAFA are the best in Australia, as the former Treasurer would clearly understand. We have some excellent performers within SAFA who have a knowledge of the market which is superior to that of most similar organisations. So, the issue of numbers is not particularly important: it is a matter of the quality of the expertise, and we do not have any difficulty in that regard.

Mr CONDOUS: What has been SAFA's role in providing funding for the South Australian Asset Management Corporation?

The Hon. S.J. Baker: The short answer is that it has had to provide funding for the SAAMC. SAFA assumed additional funding responsibilities as part of the corporatisation of the State Bank of South Australia. In particular, SAFA is funding the SAAMC, both for the SAAMC's own purposes and to enable it to provide a funding facility to BankSA. The funding comes through SAAMC into BankSA, and it is withdrawn as BankSA finds its own borrowings.

SAFA's funding facility to SAAMC is in three parts: a term funding facility up to \$2.5 billion with an intended termination date of 30 June 1998; a stand-by facility of \$500 million, which expires on 30 June 1997; and a bridging facility of \$75 million, which has been designed by SAFA specifically to enable SAAMC to deal with any temporary liquidity shortfall arising from the redemption of a term funding tranche. In anticipation of SAAMC's requirements, SAFA raised \$2.4 billion of funding in the second half of 1993-94. Fortunately our timing on most of that was particularly good, because we timed it earlier to give us some space. Members would recognise that the money markets were particularly volatile towards the end of that financial year, so we did particularly well through SAFA's money raising efforts in the international market.

SAFA's loans to SAAMC are expected to peak at around \$2.5 billion this financial year, and thereafter the SAAMC's needs are likely to taper off sharply as SAAMC progressively winds down its asset holdings and as BankSA becomes self-funding. So, essentially it is a temporary financing facility. Of course, most of the overseas loans were tied into certain State guarantees that have to remain in place, so we could not leave those funding arrangements in BankSA.

Mr CONDOUS: Has any improvement in SAFA's borrowing costs occurred since the Liberal Government took office? How important is it that South Australia regains its triple-A credit rating?

The Hon. S.J. Baker: Obviously we are pleased that there has been a recognition in the marketplace that the State Government is dedicated to reducing its exposures, particularly in relation to debt and interest rates. The Government was more than gratified to see that South Australia's negative outlook, which was placed on it by Standard and Poor's, was actually taken away as a result of its financial statement, from which the market could clearly see that this Government is serious about reducing debt.

This is quite a complex issue, and the Government has found that South Australia's current long-term borrowing costs have improved relative to those of the Commonwealth, New South Wales, Queensland and Tasmania. Those costs are unchanged relative to Western Australia, and have widened in relation to Victoria after South Australia made some gains during the year. So, South Australia's position has

improved except when compared to the situation in Victoria, where the markets seem to have recognised the change in its financial circumstances more strongly than one would have expected.

SAFA's margins improved after the State election as the market saw the Government focusing on improving the State's finances and credit rating outlook. The improvements were largely reversed as part of a general weakening in the non-triple-A semi-Government margins due to the volatile financial market conditions which emerged in February and which persisted through to July. There was a period of volatility where only triple A, for example, was not affected by those movements.

Everyone who did not have a triple A rating was affected at the time, including the States I have previously mentioned, or those that did not have a triple A rating. With some stability now returning to the bond markets, SAFA's margin to higher rated States and the Commonwealth has narrowed so that we are not paying the same penalties as we previously experienced. As financial markets stabilise and come to appreciate the improvements in the prospects for South Australia's financial position, it is expected there will be further contractions in SAFA's margins.

Specifically, there are some interesting aspects of this. The Commonwealth is rated triple A; New South Wales and Queensland are rated triple A; Western Australia is AA plus; Victoria and South Australia are AA; and Tasmania is AA minus. So South Australia is rated equally with Victoria. That affects the range at which we take a hit on the domestic markets in terms of our borrowings. There seems to be a greater propensity on international markets to treat Australia as a whole, and we pay a greater penalty on domestic markets for borrowings than we pay on international markets. That was a matter previously referenced. It is a very strange mentality that operates in the domestic market in Australia.

Prior to mid 1990, when Victoria lost its triple A status and Tasmania was rated for the first time at less than double A, domestic investors essentially took it as given that all Australian semi-government insurers were of equal credit status. Up to that time, we were all in the same market place. Consequently, the pricing of semi-government securities were determined in large part by their perceived liquidity—the ease with which the securities could be traded in the secondary market for interest rate exposures and management purposes. This led—and it is somewhat ironic—to issuers with a high level of debt and thus deeper and more liquid lines of securities achieving better pricing than that achieved by smaller borrowers. The bigger the debt you had and the greater the liquidity component of that debt, the more comfortable the market seemed to be. So we saw the situation with Victoria.

As a smaller borrower, SAFA cannot and does not expect to be able to match the volume of borrowings from the Commonwealth, New South Wales, Victoria and Queensland to generate additional liquidity and hence finer pricing. It is necessary for SAFA to introduce innovations, such as the dealer panel concept which happened in 1987, in order to improve its relative pricing. That explains that the market is a very strange place and it places different values depending on the prevailing circumstances. The cost of borrowings can be quite significant on the domestic market and there is far greater stability, at least currently, on the international market.

Mr QUIRKE: Is it the case that BankSA would not meet SAFA's own credit guidelines at this stage? It appears from

the records that \$245 million of investments do not meet the current credit guidelines as compared with some \$50 million last year. What is SAFA doing about that, and where is it going?

The Hon. S.J. Baker: It is a neat twist to say that BankSA does not meet SAFA's credit guidelines. To a certain degree the honourable member is right, because we are demanding of SAFA that it only lend to instrumentalities with A ratings. I think the Government is aiming for double A or triple A. It is correct that the Government has some very strict guidelines, just as it has strict guidelines on currency hedgings of overseas borrowings. If we lend money, we want it to go to an organisation that has the capacity to pay. The minimum rating is single A, and the current rating for BankSA does not necessarily directly conform to that, but the SAAMC rating does, because it is owned by the Treasurer.

Mr QUIRKE: When will the new General Manager of SAFA be appointed? As I understand it, Dr Bethune was the permanent head until May this year and he has now gone to head the task force on the corporatisation of the State Bank. As I also understand it, Dr Bethune resigned from SAFA in May: it was not a temporary transfer.

The Hon. S.J. Baker: The Under Treasurer has that timetable in hand. I also understand that he has an answer to one of the previous questions concerning the \$400 million.

Mr Boxall: With respect to the General Manager, it is true that Dr Bethune resigned in May. We conducted a series of interviews in July and we will conduct more interviews in early October, so hopefully an appointment will be imminent, possibly around November.

I now turn to the previous question concerning the difference between \$400 million in forward estimates and \$120 million. It comprises three main items. The first item is that there will no longer be an ETSA dividend of \$100 million, because that will go directly to the Consolidated Account. Secondly, the SAGASCO profit of \$80 million on that sale will not recur. Thirdly, because of the capital reduction that the Government is undertaking, there will be fewer dividends—approximately \$100 million. I stress, as the Treasurer said, that the capital reduction means a lower dividend, but it has no impact on the State's finances because basically it is a net concept.

The Hon. FRANK BLEVINS: What will the salary for the new head of SAFA be—everything in the package?

The Hon. S.J. Baker: I think that is entirely premature.

The Hon. FRANK BLEVINS: The Treasurer must have some idea. Will it be \$100 000, \$150 000 or \$200 000?

The Hon. S.J. Baker: I think that the honourable member is being premature.

The Hon. FRANK BLEVINS: The Treasurer must have some idea. It is a reasonable question.

The Hon. S.J. Baker: Frankly, I find the question quite out of court.

Mr BASS interjecting:

The Hon. S.J. Baker: The member for Florey has actually got it in one. If you have someone of absolutely outstanding talent, there should be capacity to pay more. If someone of very good operational capacity comes along, the Government will obviously look at the existing—

The Hon. FRANK BLEVINS: It was quite a legitimate question, particularly given the Treasurer's interest in this area. Up to about nine months ago, every salary in the public sector over \$100 000 was an absolute outrage and disgrace, and people were virtually thieving from the public purse. The salaries being paid by this Government, as opposed to the

former Government, are absolutely outrageous. The Opposition will do all those comparisons for the Committee. If the Committee thinks that questions are not legitimate, it should wait until it sees what these characters, who are known throughout the Commonwealth as second-raters and who are coming over here on a gravy train, are paid.

The CHAIRMAN: The honourable member is not asking a question; he is making a statement.

The Hon. S.J. Baker: Mr Chairman, there is an implied question there and I will make two comments. Outrageous salaries were paid: they paid Marcus Clark \$500 000 for tearing this State apart and destroying its finances. I found that outrageous. I will continue to find that outrageous, and I will go through a number of other examples associated with SGIC and other instrumentalities that the Government ran.

The Hon. FRANK BLEVINS interjecting:

The Hon. S.J. Baker: Well, the honourable member ought to go back through *Hansard* and check. Obviously, the honourable member's memory is not particularly good. I have always maintained the necessity to get good quality people; it is imperative for State Government. Having looked at some of the line-up that the previous Treasury endorsed and the salaries that were paid, including Marcus Clark at \$500 000 a time, I found them outrageous, and I think every member of the Committee would. In terms of where we are going with the appointment to SAFA, I simply do not know, and I do not believe that the Under Treasurer knows at this stage whether it will be a standard public sector type arrangement or whether some other allowance has to be made. I simply cannot tell the Committee that, but I am sure the honourable member would appreciate that, if it is possible to get the quality of expertise that we need in this vital area within the existing guidelines, we will move heaven and earth to do so. If it is not, the honourable member will be one of the first to hear about it.

The Hon. FRANK BLEVINS: Apparently some interviews for this position have already been conducted. I think some were conducted in July.

The CHAIRMAN: I remind members that questions are addressed to the Treasurer through the Chair. If the Treasurer chooses to ask any other person to respond he will do so.

The Hon. FRANK BLEVINS: That is what I am doing. I have not said anything to the contrary.

The CHAIRMAN: Dr Boxall was ready to reply on behalf of the Treasurer. I am just pointing out that it is the Treasurer's imperative to ask.

The Hon. FRANK BLEVINS: Apparently, according to the response that has been given, some interviews for this position have already taken place. I want to know whether there has been any discussion of salary packages at those interviews and, if the answer to that is 'Yes', I would like some detail of those salary packages.

The Hon. S.J. Baker: The answer is that it was the standard package. The offer was made and it was declined. That was all that took place at that time. It was a standard package; the EL3 was the current position. They are the only discussions that have taken place to date. The former Treasurer can rely on the fact that I said that we will be making every endeavour to ensure that the existing arrangement prevails. However, let us be assured that, if it means the difference between our having the best operator and someone who can basically just manage the job, we will have to consider the position seriously, because it is a very specialised position, as the honourable member would understand. We will take the honourable member's comments on board.

Additional Departmental Adviser:

Mr Deane Prior, Director, Superannuation, South Australian Superannuation Fund Investment Trust.

Mr QUIRKE: The issue of superannuation is something that the Opposition is very keen to pursue, even though as I understand it at this stage the Government's Bills are still in tatters before the parliamentary process. I raise my first question with respect to the new Triple S scheme. If this scheme becomes the norm in South Australia—if this is what future Government employees will receive—my understanding of it is that the disability cover or benefit provision in that scheme ceases at the age of 55 years and the death cover benefit ceases at the age of 60, so that if someone is employed at the age of 61 that person will be paying in an amount of money from which he or she will no longer have any disability benefit or any death cover.

The Hon. S.J. Baker: The honourable member has enunciated the position, and obviously one of the issues is the extent to which under the scheme your accumulated superannuation benefits will provide for you or your spouse if they survive you in the event of your death, and whether that is recognised as being an appropriate pay-out under the circumstances. I will call on Mr Deane Prior, who is responsible for South Australian Government superannuation, who has spent the recent years of his working life in this area and who has a tremendous amount of knowledge. He could go through the issues you have raised.

Mr Prior: The design of the proposed Triple S scheme is such that there is an actuarially determined cost to buy that death and disability insurance. To keep that cost down as low as possible, the costs are spread over the person's working life. Therefore, those costs continue to be paid as long as the person is employed. That aspect of the scheme has been discussed with the unions. That provision and that concept—that design—exists in the existing schemes. It certainly exists in the schemes that are temporarily closed at the moment. The unions are well aware that, if they do not want to pay for that insurance once a person reaches 60 years of age and they work on past 60, they will have to be paying a higher cost before the age of 60. They cannot have it both ways; either they spread the costs over their total working life or they pay to a set date or age, in which case they will be paying a higher cost.

The Hon. S.J. Baker: There is provision for additional cover, should the member so elect.

Mr QUIRKE: The Opposition is rather interested in what will be the Government or employer contribution into this scheme. It is based on the rate next year at the date of commencement, should the legislation be successful, of 6 per cent, the same as applies to the SGC, and will rise in increments until it is 9 per cent. What is the reserve position should for some reason a Government of the persuasion of the Minister terminate that SGC at whatever point or even repeal the whole legislation? Where are we going with superannuation in that eventuality? It will not reach 9 per cent until the year 2002?

The Hon. S.J. Baker: That is correct. There are a number of aspects which are important. If one can believe statements made by politicians—and I hope we can believe all the statements made here—we would not necessarily say—

The Hon. FRANK BLEVINS interjecting:

The Hon. S.J. Baker: Would you be quiet?

The CHAIRMAN: The member for Giles is quite out of order. He has been close to being cautioned on several occasions. The Chair has been very tolerant.

The Hon. S.J. Baker: I understand that there are some legal difficulties with scrapping the scheme because a liability has already been created by the previous legislation. The advice that I have received is that, if there is a change of Government or a change of mind by the present Government on the superannuation guarantee, it would be more or less on holding the system where it is rather than going back in time. Our legislation ties itself into those provisions. That means that if we stopped at 6 7 8 or 9 per cent, which is not an issue, our scheme would do likewise. There is an assumption about the continuation of the superannuation guarantee, and that issue has been raised in discussions with us. We have had a number of discussions about that issue.

Mr QUIRKE: Effectively you are saying that this scheme may be frozen at the minimum benefit, which is determined in Canberra. Is that what you will take your lead from?

The Hon. S.J. Baker: That is quite clear in the legislation. I do not know that you are saying anything different from the debate that we have had in Parliament on this issue. The Committee should be clear that the issues were debated in our first foray into closing off the scheme. There was a change of heart by a member in another place, so we were left with the use-by date of 1 October. We have since debated the SSS scheme and the extension of the use-by date. These issues which are being brought before the Committee today are not new; they have been thoroughly debated. I have given the answers in the House, and the answers have not changed. I am wondering whether the honourable member is wasting the time of the Committee. I am here to answer questions, and if I have to say the same things as I have said previously I will do so.

Mr QUIRKE: I have asked this question before so I shall probably get the same response, but we are getting closer to the time when we have to make up our mind on all sorts of issues raised by the Audit Commission. What is the latest on the two closed schemes, albeit one of which is temporarily closed at this stage, with regard to the suggestion of a reduction in benefits and/or an increase in contribution rates?

The Hon. S.J. Baker: I should like to raise an issue as we are talking of a reduction in benefits. I think that members need to read the Audit Commission report reasonably carefully. The Audit Commission recognised that a more significant subsidy was paid under the old pension scheme than is currently paid with the lump sum scheme. Further, an even greater subsidy is given to those who join the scheme after the age of 30, so the Audit Commission addressed itself to those who were joining the scheme later in life and receiving a greater taxpayer subsidy. The suggestion was that there should be increased contributions of the order from 7 up to 9 per cent, so the 6 per cent becomes 7 per cent in some cases depending on the age brackets. The 6 per cent would become 8 per cent on certain occasions and 6 per cent became 9 per cent on others depending on the age of entry. The old 1970s super scheme or the scheme before it was built on the fact that members contributed greater amounts as they got closer to retirement reflecting the fact that they had not paid for that benefit throughout the life of the superannuation scheme.

I think a relative of mine paid about \$200 a unit a year before he retired for a certain percentage benefit because that was the scheme that prevailed. During the 1970s and 1980s we seemed to lose sight of the budget control that we should

exercise, so we had a scheme which paid benefits far greater in a relative subsidy sense. The Audit Commission addressed that issue and there was a recommendation affecting some component part involving those who were in the superannuation scheme. As I said to the member for Playford previously, that is being and will be addressed in the time frame that we have set.

Mr QUIRKE: I understand that the SSS scheme will apply to all public servants, police officers, or whatever group, across the entire Government sector should it be successful in the parliamentary process. I also understand that it is voluntary for all except police officers. Are you proposing any other scheme as an incentive for certain high fliers whom you may wish to employ in various sectors of the Public Service; are you using that as part of negotiations for retaining certain personnel in particular areas; and are you going to bring about a situation where future Government employees in whatever area will have a different scheme from the SSS scheme which will be used as part of a bonus incentive to employ a particular person?

The Hon. S.J. Baker: It is not a matter to which I have paid attention to date. I will refer this matter to Mr Prior, but I understand there is a provision, which has always existed and been to the benefit of some of your old mates, whereby payments are made as a form of incentive. I have not examined the issue, but I will take some advice from Mr Prior on existing arrangements. Previously, if someone was to be attracted to Government service, arrangements could be made concerning salary and superannuation which would involve a higher than normal payment of superannuation. Our little friend Marcus Clarke, for example, converted \$200 000 of his \$500 000 salary package into a superannuation payment prior to his leaving the service of the State Bank. There are many other examples to which I can allude involving arrangements that have been put in place. However, I have not looked at the detail in recent times.

Mr Prior: The Southern State Superannuation Bill, which is currently before the Parliament, contains a provision, under the definition of 'charge percentage,' which will provide for an agreement to be reached between any employee who will be a member of the scheme and the employer. Where that person is employed on a contract under a remuneration package for a higher percentage than the Commonwealth charge percentage to be paid into the scheme, that employee will meet the full cost of it. It does not result in a higher subsidy from the Government *per se*.

The Hon. S.J. Baker: That reminds me of a very important point. With all packages of Government, we are making the full costs quite explicit, so the total cost will include the items mentioned previously by the member for Giles. If it is salary forgone for whatever reason, we will say the package is worth \$100 000 including the money paid as salary, the superannuation contribution from Government, and other benefits that are part of the package, such as FBT that we pay as a result of those arrangements, particularly with respect to superannuation. All those matters have to be shown as part of the package, so the total cost is known to the Government. Then it can be demonstrated to the public at large that there is nothing hidden in the system.

That is one of the issues we raised previously, that irrespective of how people feel about salaried high fliers and those people who were being remunerated at a higher level, the issue of the iceberg—how much was on top and how much was underneath—has been a matter of considerable conjecture over a long period. We are saying that, whatever

arrangements are put in place, all the details have to be known, whether it is with respect to the head of a department or a particular individual who is hired for his or her expertise.

Mr BUCKBY: In its report, SASFIT refers to a review of its investment strategies for the schemes under management. Will the Minister give some background to the review being undertaken?

The Hon. S.J. Baker: Importantly, SASFIT's investment strategies must be to get the best returns in the longer term. It is very feasible, as we have seen for example in the dealings with our borrowings, to create savings or to save money in a particular fashion, but superannuation funds have to be there for the long haul. Therefore, their investment decisions are different from perhaps other areas where there might be a demand for a return on a very short term basis. The basic objective of SASFIT is that it has to meet the requirements to pay the benefits in the longer haul.

The benefits are indexed pensions in the case of the old defined benefits scheme, or accumulated lump sums in the case of the lump sum scheme. For both types of benefit, we need a margin above inflation. Obviously, simply to be able to operate at inflation is not sufficient. We broadly set a parameter whereby SASFIT has to be able to sustain a 4 per cent real return in the longer term. Obviously there will be occasions when it exceeds that target quite dramatically and there will be other occasions when it does not quite meet the target. Overall, we believe that the 4 per cent return is realistic and has been confirmed from outside sources.

In 1990, consulting actuary William Mercer carried out an extensive modelling exercise to provide guidance to SASFIT on the best mix of the various categories of stable and growth assets for the different schemes under management, taking into account the estimated real returns and volatility of each asset class and the relationship between them. Following that, SASFIT adopted strategic asset allocations, and for the defined benefits schemes said that 42 per cent should be in stable assets and 58 per cent in growth assets, and for the accumulation scheme, 35 per cent in stable assets and 65 per cent in growth assets. Therefore, it then translated into an asset profile consistent with their getting a significant return of at least 4 per cent above inflation over the longer term.

So, we have engaged William Mercer again to look at us and give his interpretations of the marketplace and how we should maintain an asset mix consistent with our competing demands. The underlying demand is for long term real return on assets to meet the requirements under the Act, and we expect he will give us an update on where he was in 1990 which will more reflect current day practice or reinforce that underlying need and therefore give us direction on how we manage our assets to achieve that underlying need for real return on assets of at least 4 per cent. So, there are various people with expertise in this area. Mercer is held in high regard by the industry, and that advice will be received again and the SASFIT board will act on that advice.

Mr BUCKBY: I note from the annual report of SASFIT that the investment returns for the year to 30 June 1994 were well down on the previous year's level. What is the explanation for this downturn and what forecasts has SASFIT made for the coming year?

The Hon. S.J. Baker: This year is a particularly good example of how, if you set a long-term trend line, you can actually depart from that trend line but obviously have your sights clearly fixed on meeting your long-term objectives. The return on funds dipped significantly this year from 3.2 per cent to 4 per cent for the different schemes, and that was

quite at odds with some of the returns of more recent years. It really goes back to what were previous investment practices. I am not criticising them; I am simply noting that it can occur. There has not been any change in investment policy, but some of the areas affected obviously were significant.

If we look over the past 10 years, the defined benefit scheme has earned 12.7 per cent per annum, exceeding inflation by 7.2 per cent, while over the past five years the accumulation scheme has earned 9.7 per cent, exceeding inflation by 6.5 per cent. Over the period, there has certainly been a very strong performance. The return this year was disappointing, but it was affected by a number of influences. There were writedowns in three areas: AWA Defence Industries, Austereo and ASER, all of which contributed to a loss being realised. A movement in the market interest rates for inflation linked investments produced a capital loss on a market value basis.

If inflation linked investments are operating during a relatively low interest rate regime and interest rates increase dramatically, but inflation does not also move dramatically, when people are assessing the value of that investment at the end of a financial year, or even if they want to on sell their investment, the market recognises the fact they are earning below what is prevailing in the marketplace. Those were the areas that were affected during this past financial year. The real rate of return on inflation was approximately 2 per cent. We did not even get close to the 4 per cent target, but that was the exception rather than the rule. We would expect to be returning to the trend line of the longer term investment strategy that has been laid down.

Ms HURLEY: Will the Government's SSS contributions be physically paid across to SASFIT—that is, the investment trust—to be invested, or will the Government merely have a notional contribution?

The Hon. S.J. Baker: Obviously they are employees' contributions and they will go to SASFIT. There will not be any notional contribution. That is a thing of the past. What we are trying to do is actually reduce our long-term liabilities. Members do not need to be reminded that about \$4.4 billion becomes \$7.4 billion in the space of so many years, and we are working towards reducing that liability. We are talking about employees' money going to SASFIT for management.

Ms HURLEY: Will the Treasurer explain how the 4 per cent return on member's contributions, which is dealt with in clause 30 of the Bill, will work? If investment returns are not sufficient to guarantee the 4 per cent return, who will pay the 4 per cent return on benefit payments? Will it be the Government or the remaining members?

The Hon. S.J. Baker: Clearly, we have said that the scheme will have a Government guarantee behind it. The long-term aspect of the scheme will provide a 4 per cent return. That does not mean that, if it hits 12 per cent one year and drops to 2 per cent the following year, we top up the 2 per cent. We would expect the return to provide 4 per cent overall during the life of the investment and, if it fails to meet that 4 per cent, the Government is liable and will pay the difference.

The Hon. FRANK BLEVINS: Before the election the Treasurer stated that there would be no changes to the superannuation schemes. A couple of days before the old scheme was closed the Treasurer wrote to the PSA again stating that there would be no change to the superannuation schemes. Given those two events, why should anyone believe what the Treasurer says in this area?

The Hon. S.J. Baker: I said I had no intention of changing the schemes, and I stick by what I said. I did not intend to change them. That was not in our marching orders at the time. It was not a consideration prior to the election. We had listened to what the former Treasurer told us, that superannuation had been funded and that South Australia was doing a wonderful job in clawing back the liabilities. When we said at the election that there was no intention of changing the current arrangements, that is exactly the situation. Again, when I responded and wrote the letter I said it was not our intention to change the schemes. That was simple and straightforward—

The Hon. FRANK BLEVINS: It was a lie!

The Hon. S.J. Baker: Mr Chairman, I do not know how the Committee runs, but the member for Giles said, 'It was a lie.'

The CHAIRMAN: The Chair did not hear the quiet interjection, but the member for Giles is well aware that the Standing Orders of this Committee are those of the House, and I ask him unequivocally to withdraw that expression.

The Hon. FRANK BLEVINS: Of course, Sir.

The Hon. S.J. Baker: The member for Giles may choose to use different words, and I shall be happy if he does. I am simply explaining that, at the time, the Government had done much work on its budgeting, where it was going, what savings we could make and how we would make budgets balance. We did not include in those figures any change to the current superannuation schemes. That is clear. The member for Giles can draw his own conclusion, and he has already done so on a number of occasions, as has the member for Playford, about whether there was honesty or dishonesty in those remarks. It suits the member for Giles for his own purposes to suggest that the remarks were dishonest. I am simply saying what prevailed, and the honourable member will draw his own conclusion. That was the situation.

As to the schemes, obviously the legislation went before the House. It is an Act of Parliament and not the result of words spoken by any individual. It expresses an intention. We are saying that the scheme has the capacity for anyone who wishes to provide for their future, first, knowing that the cost of administration will not sweep aside the benefits, which has been a major problem with other forms of investment in this area and, secondly, with a guarantee of return. The cost to Government is virtually zero, and it is brought to account only when the investments of the organisation fail.

We are willing to take that risk and ensure that there is scrutiny of the organisations and that SASFIT performs up to market standards. To that extent there are guarantees and it makes good sense to encourage the savings effort through this mechanism. Therefore, we are providing a service to employees. True, it is not at the level that previously prevailed. I have already pointed out to members in the Parliament that we cannot afford to do that any more because of our liabilities and our need to claw back the long-term liabilities which, as members would recognise, we are doing in this budget.

The Hon. FRANK BLEVINS: Remembering that the letter to the PSA was written on 21 April and the Bill was introduced into Parliament days later to close the schemes, does the Treasurer seriously expect anyone in South Australia to believe that, in such a short time, within a matter of days of writing to the PSA, the Government had no intention of changing the schemes and bringing the Bill into Parliament within a few days, that there was no such thought by the Government and no working papers, no policy documents,

and that nothing was produced before 21 April to validate in any way what the Treasurer is trying to tell us?

If that is the case, if they woke up on the morning of 21 April and had this blinding flash that somehow they had to change the superannuation schemes and they cobbled the Bill together in a matter of days, there should be many policy papers and documents from people flying around. If the Treasurer wants us to believe that, he should produce these things from beginning to end so that we can say we saw them. We can say that we called the Treasurer a liar but we were wrong. The Treasurer must think we came down in the last shower. It is just an absurd proposition.

The CHAIRMAN: Whatever the Treasurer's intention, there is no provision for tabling documents.

The Hon. FRANK BLEVINS: I want the documents to prove this absurd statement.

The Hon. S.J. Baker: The member for Giles has called me a number of names and I will not repeat them here. I do not care whether or not he believes me. The member for Giles will not be with us for much longer, and that will be to the great good of the Parliament. Leaving that issue aside, I make it clear: I said on both occasions that the sums had not been done and it was not an intention. I will say that until I am blue in the face.

The Hon. FRANK BLEVINS interjecting:

The Hon. S.J. Baker: The member for Giles should check the date of the letter and the date on which the PSA asked for further reflection on the matter.

The CHAIRMAN: As there are no further questions, we will now deal with the Lotteries Commission.

Additional Departmental Advisers:

Ms June Roache, Acting General Manager, Lotteries Commission.

Mr Rex Blundell, Casino Coordinator.

Mr Bill Pryor, Liquor Licensing Commissioner.

Mr Darryl Hassam, Manager, Gaming Machine Administration.

Mr QUIRKE: When is the General Manager returning to the Lotteries Commission, because the rumour is that he will not be returning?

The Hon. S.J. Baker: My clear understanding is that he is coming back. There is some discussion currently between the commission and the General Manager; as soon as I am informed of the outcome, everybody will know. It is my clear understanding that the person we are talking about will be coming back.

Mr QUIRKE: Has the Treasurer been involved in that determination?

The Hon. S.J. Baker: I have been advised by the board of the discussions that will take place. I have not sought to direct the board; there are ongoing discussions about that issue.

Mr QUIRKE: Has the Treasurer had discussions with the board or the Chairman of the board?

The Hon. S.J. Baker: The Chairman of the board has advised of resolutions of the Lotteries Commission, which encompass the General Manager returning to office.

Mr QUIRKE: They encompass his return or they concern issues about his return?

The Hon. S.J. Baker: No, they address the issue of his returning to the Lotteries Commission.

Mr QUIRKE: The other issue relates to gaming machines. In the House last week The Treasurer made a lengthy

statement about some problems with gaming machines installed here in South Australia. As I understand, only one company, Aristocrat, was named in the statement as providing poor quality equipment. What is the record of other gaming machine manufacturers, and why was this company singled out? There might be overwhelmingly good reasons for this outfit to be singled out in Parliament in this way but, from my visits to hotels and clubs, Aristocrat has the most sought after machines, in terms of the share of the market in South Australia.

The Hon. S.J. Baker: The member is quite right, the Aristocrat machine is in high demand and, I presume, highly prized by hotels and clubs. I cannot quite fathom the reason, but perhaps it is a result of Aristocrat's undertakings to hotels and clubs; perhaps it is its speed of delivery; perhaps it relates to buy-back provisions that might prevail; and perhaps it relates to claims of superior turnover. I have not gone out into the marketplace to ask why people are so firmly embracing of and continue to embrace Aristocrat machines. There is no doubt that Aristocrat enjoys a strong demand here in South Australia and interstate.

I would imagine that of all the manufacturers—and there are 11 on our books—Aristocrat in South Australia would certainly have the highest level of demand, and I believe that would be the case in the interstate jurisdictions as well. The honourable member is quite correct in his assumption about the strong demand for that particular machine. In relation to performance—and I do not know whether the honourable member has shares in Aristocrat, the way he asked the question, but I will leave that for others—Aristocrat's performance was poor in terms of delivery. There was poor performance on behalf of all manufacturers, and I made that quite clear right from the start.

They were all absolutely abysmal. We were getting absolute rubbish through our doors, and I felt originally that everything that failed muster across the border was being sent to us; I am sure the Liquor Licensing Commissioner felt much the same way. Aristocrat had similar problems to other manufacturers. It claimed that it did not have enough time to prepare for the provision of these machines, and that was one of the reasons why the quality was not up to standard. By the way, Aristocrat is the only manufacturer that made that claim.

As of February this year there was a clear indication of the time frame we were working on. It is absolute rubbish for anyone to use the excuse that they could not get their machines up to the standard required in that time frame. It so happened that all the machines were bad. I do not know that any one of them was particularly good; each machine had some basic flaw. Aristocrat has probably tested my patience, the Liquor Licensing Commissioner's patience, and the patience of everybody in the industry to a degree that I did not think was possible. Aristocrat had given undertakings about delivery dates which either fell over because of technical problems or it had no intention of standing by those undertakings.

This is not just an issue that suddenly arrived on our doorstep: the Liquor Licensing Commissioner had to contend with this issue over a period of three to five months, when it came to originally testing the machines and getting something useful to test and then arranging for the installation through State Supply. So, it has had a long history, and it has been very frustrating for the owners of hotels and clubs, because there has been a very strong demand for the Aristocrat machine. I do not know the reason for that demand, because I do not play the pokies, but perhaps they are the best money

spinners and that is why the clubs wanted them. However, given the strong demand and the company's undertakings, it was exceedingly disappointing that Aristocrat continued to fail to meet what we believed was its contract not only with the Liquor Licensing Commission and State Supply but in fact with the customers, who have spent large sums of money—and we are talking about an industry in which many millions of dollars have been invested to date—who have carried out extensions to their hotels and clubs, and who are still missing the machines.

Aristocrat is a special case as only one other machine manufacturer has actually slipped, and that slip was reasonably minor, so Aristocrat is right out in front of everyone in terms of its non-performance. I have made that quite clear in my ministerial statements and I will continue to do so if anybody asks the question. I understand that Aristocrat is now getting back on track and that some of its technical difficulties have been solved, but I would not hold my breath, quite frankly, given where we have been with this organisation.

Mr QUIRKE: Mr Chairman, I would like to seek guidance on my next question. At the beginning of his very long answer, the Deputy Premier made some remarks about my motivation in asking the question. I ask that he withdraw those objectionable remarks. I have no shares in any company.

The CHAIRMAN: The Chair anticipated the request. I ask that the honourable Treasurer withdraw any inference that the honourable member did have a vested interest in the question. It would be a matter of propriety.

The Hon. S.J. Baker: I am happy to do that.

Mr QUIRKE: When recently debating amendments to the Gaming Machine Act, I raised with the Treasurer in the House the problems which have emerged now that the machines are up and running, and they relate to having one licence and one company for all the installation and service work. I raise the issue again in this forum because other individuals associated with this matter are in attendance today. For the past 18 months I have held strongly the position that, if a person has a piece of equipment—whether it be a cash register or a car or whatever it is—that person should have the basic human right of having at least one or two other persons to choose from. The Government ought to give people one or two other choices. How is that provision proceeding?

I understand that Bull Australia has, and will have for some time yet to come, a total monopoly in this area. However, at some stage that contract is going to expire, and I would like to know the Treasurer's thinking on that issue as well as the views of other officials who are in attendance. Certainly, I hold the view very strongly that a person who lawfully buys and operates one of these machines ought to have at least some choice in relation to the servicing of that machine.

The Hon. S.J. Baker: I am quite relaxed about that proposition, as I am a great believer in competition. The honourable member has raised an important issue. We cannot extend that suggestion to the IGC or the monitoring equipment, because we need centralised control, but in other areas I believe that the best service is provided by a number of people competing in the market place at a price that is acceptable to that market place. So, I happen to agree with the sentiments expressed by the honourable member. I have referred the matter for examination, and at present we are trying to draft legislation on a number of issues and I have

tacked this on and asked for advice on how we handle this issue. So it is to be considered, and I am hoping that I am told either, 'Yes, it will happen' or 'No, because there are good reasons why it should not happen.' And if there are exceptionally good reasons why it should not happen, I will impart those to the honourable member before we proceed any further.

However, I reiterate that I agree with what the honourable member has said; if a person has the expertise and the training and if they pass the police checks, as those persons associated with Bull have been asked to do, I am more than happy for them to participate. I am not aware of the contractual arrangement that was made with Bull in order to get these machines under way. It was a strategic decision, which was taken as a result of investigations interstate in relation to the capacity of one particular supplier to meet the market demand in the shortest period possible without having fragmentation of quality and standards. If there is an impediment in that area, I will inform the honourable member, but basically I agree with what he is saying and I hope that we can get some movement in that area, depending on what contractual arrangements exist. However, the honourable member has a very good point.

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

Mr QUIRKE: I refer to the impact of gaming machines. As I understand it, the switch-on day was 25 July. What is the total of receipts into Treasury so far during the 1994-95 financial year? Is the anticipated revenue on track?

The Hon. S.J. Baker: We have provided for \$41.5 million estimated receipts in the budget. I think there was about \$39 million in actual receipts related to the revenue and then there were some offsets including the .2 per cent charge for administration purposes. We have an update that we can provide. We now have \$12.437 million in revenue. Of course, there are some pay-outs of that. The tax share of the receipts to date, as at 14 September, is \$4.025 million. We think we are on track to meet the target of about \$39 million which will accrue for taxation purposes. The State share on the year to date figures from 25 July to 14 September is just over \$4 million.

Mr QUIRKE: Has the impact on the Lotteries Commission and some of its products shown up yet?

The Hon. S.J. Baker: My advice is that it is holding up at this stage, but I will ask Ms Roache, who is the Acting General Manager of the Lotteries Commission, to provide more details on that. Obviously, these things are monitored very clearly in order to check the marketing strategies to maximise gains. My understanding is that it is holding up reasonably well. We have estimated that there will be \$6 million less forthcoming this year.

Ms Roache: I can advise that currently the Lotteries Commission is running nearly 4 per cent above the turnover figures last year to this time. There are a couple of products that are holding up well. Other products have seen a decrease. Of importance is Club Keno, which was introduced to act as a competitor for gaming machines. We have seen a 15 per cent increase to date compared with this time last year. At this stage there has not been any noticeable impact.

Mr QUIRKE: What is the impact of gaming machines on the TAB and the Casino?

The Hon. S.J. Baker: As the honourable member knows, the TAB is not my responsibility. That question can be asked of the Minister for Recreation, Sport and Racing. He will be

able better to inform the Committee. Preliminary indications are that the Casino has been affected by gaming machines. Its revenue was down on what it was previously. The interesting thing is that—I do not know how correct it is—I received a report that receipts were down dramatically in July: 25 July was the introduction date, but in July everything fell through the floor, as members can well remember. I think housing approvals and motor vehicle sales went down. June and July figures are always iffy depending on people's personal budgets, and quite often the figures do not pick up until a bit later. The July retail sales were down and the Casino was down on where it thought its budget should be. July was an iffy month all around.

The best information I can provide is that, if members look at what they believe would be the budget line, they will see that the revenue from the poker machines is down about 20 per cent on what it was previously, but I do not know that I would ascribe it fully to the poker machines in pubs and clubs.

Mr QUIRKE: I think the Minister knows of my interest in under-age gambling, particularly in relation to scratch tickets. What is the estimated revenue that comes from under 18-year-olds buying scratch tickets? Does the Minister have any figures on that? I understand a review was undertaken earlier this year which determined the size of the problem. What did that review find?

The Hon. S.J. Baker: It is difficult to conclude what is the under-age gambling contribution, either to the lottery turnover or to the taxation of the State. Our survey was targeted to find out whether there was any incidence of under-age gambling in relation to lottery products. I think about 12 000 people were surveyed and it involved about .86 per cent of those, remembering that the surveys took place at times when there were certain availabilities, so we can assume that the total market is less than that. The average purchase price was \$2.80. If we try to draw a line through that survey, we find that most of those surveyed were under 16 or 17, some with their own discretionary income as a result of working. So, we believe that the participation of under-age people in the purchase of lottery products would be less than 1 per cent. That is the first point.

The second point is that on average we would suspect that they would spend less per lottery product or less per visit to the lottery counter than the ordinary customer, because the average was about \$2.80. If I took a really long bow I would suggest that the participation in terms of tickets bought would be less than .1 per cent after I took all those factors into consideration.

The Hon. FRANK BLEVINS: When the poker machines legislation was before Parliament, many members made lengthy speeches against it, saying that the sky would fall in and that South Australia would degenerate into some kind of Sodom and Gomorrah. I am sure that the Minister remembers some of those statements distinctly.

The Hon. S.J. Baker: I do not think it was quite as strong as the honourable member would suggest. The general flavour was that I did not agree with the introduction of poker machines. That is correct.

The Hon. FRANK BLEVINS: The Minister is assuming that I was going to ask about him personally, and that was not the case at all. I was trying to finish the question and I am being harassed here by the witness. Apparently you do remember quite distinctly all these terrible things that were about to befall us. What evidence is there to date that these

things which were going to occur—and I do not want to embarrass you by quoting them chapter and verse—

The Hon. S.J. Baker: I am sure that if they were really embarrassing you would.

The Hon. FRANK BLEVINS: No, Mr Chairman, I would not do that. Is there any evidence to date, apart from the fact that a lot of people seem to be happily playing these things as predicted, particularly in the member for Light's electorate? What has happened? Where are these terrible things that were predicted by many members of Parliament, who shall be nameless?

The Hon. S.J. Baker: The honourable member is quite correct; I think the assumption behind the question is that I opposed poker machines. That is absolutely correct. I suggested at the time that some people would lose their housekeeping and other assets as a result of the introduction of these machines. I still stick to that premise. The extent of the problem is only anecdotal at this stage. I have visited the Adelaide Central Mission for discussions about its clientele and the sort of feedback it is getting. The early indications are that it is a small, growing problem.

We are intent on addressing it at the source, and that is why we have made some moneys available to do so. As the honourable member would appreciate, the real problems do not surface for a number of months until the bank forecloses or the household starves. We are hoping that it is only a minor problem and that the dire predictions that I suggested at the time will not come to pass. They were not particularly dire: I simply said that a number of people would be attracted to these machines who were not previously in the gambling arena and that, because of the addictive nature of the machines, they might risk more of their own personal money than they could afford. We all know that there have been instances of that happening in areas of the Casino, not necessarily in the Lotteries Commission, and also in racing.

We might conclude from this that a growing number of people will cause themselves some grave difficulty. We will not know the extent of that for some time. One of the important early initiatives we are undertaking is to determine how we measure the problem, if it does exist to any great degree—and we believe that it will exist to a certain degree—and, therefore, survey the marketplace and get a handle on the problem as it arises and put in place some early intervention strategies so that those who are compelled to gamble somehow have their minds changed and take on less addictive activities such as running around the block every night rather than putting their money in the machine. Basically, the honourable member can be pleased that we are being proactive in this area.

The Hon. FRANK BLEVINS: So, a problem appears to be emerging, as was predicted by some, and the Government intends to address it at its source. Looking around the Parliament these days, it seems to me that there is probably a majority there to repeal the Act. Is the Government considering really doing something about it at its source by repealing the Act?

The Hon. S.J. Baker: The answer to that is clearly 'No'. The Parliament has already made its determination. It was a conscience vote and passed muster at the time. It is up to any member of Parliament to move a private member's Bill and if that person should be successful obviously the law would be changed. However, I suggest to the honourable member that that will not occur, because extensive investments have now been made by organisations, clubs and pubs and other people in every member's electorate. If there was a change

to the law, I suggest that there would be an outcry and demands for compensation which the Government simply could not afford. Even if a group of members felt sufficiently outraged about this issue that they took it back to the Parliament, I suggest that the holocaust that would result from anybody attempting to do so would suddenly focus members' attention. I am not saying that the issue is not important; I am simply saying that once these issues become law through the proper democratic process it is unlikely that we will see a reversal of that situation. That is the practice of the legislation to which we have been party over a long period.

The Hon. FRANK BLEVINS: All I can say is that I thought people spoke passionately on this issue. I did not think it was a question of money, invested or otherwise. It certainly was not money that was welcome; it was not industrial development that was welcome; it was all evil stuff. I believe that all those people were speaking sincerely. Such considerations as were outlined by the Treasurer would not affect a person's conscience at all, so I am really surprised. Are you going to reconsider the answer you gave in the light of what I have just said?

The Hon. S.J. Baker: The honourable member is not surprised.

The CHAIRMAN: The honourable member should realise that the Minister has given an answer and we have had the morality thoroughly discussed in Parliament. Opinions have been expressed both ways. If the honourable member would like the Chair to join in and give an impassioned plea on behalf of the other side, he has only to say, but the Chair is not inclined to do that. There being no further questions, I declare the examination of the vote completed.

Department for State Services, \$8 030 000

Departmental Advisers:

Mr B. Cossey, Chief Executive Officer.
 Mr M. Jones, Director, Corporate Services.
 Mr D. Suter, General Manager, Central Linen.
 Mr B. Tilstone, Director, State Forensic Science.
 Mr E. Miller, Director, State Records.
 Mr A. Secker, Director, State Print.
 Mr P. Grenville, Director, State Fleet.
 Mr J. Slater, Acting Director, State Supply.

Membership:

Mr Foley substituted for Mr Quirke.

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

Mr FOLEY: There are a number of issues within State Services about which I should like to question the Minister. I will begin with reference to the provision of transport services, an issue that I know is of great interest to the Treasurer and the Government. The light motor vehicle transport services line has seen an increase to \$22.4 million. I also note the corresponding reduction in the line above by \$12 million. There seems to be a major movement in those figures. Will you explain what it relates to?

The Hon. S.J. Baker: Yes. A member of the Opposition, who shall remain nameless, went out on the steps of Parliament House and said that the fleet was supposedly

downsized, yet we have this huge explosion in expenditure. Obviously he had not been listening or had been sleeping through the debate in Parliament. A considerable effort has been made to draw back into State Services a number of vehicles that are out with the agencies. Progressively we are drawing them all back into State Services so that they can be properly accounted for and proper charge-out procedures can be attached to them. The movement in capital expenditure is a reflection of its being done by State Fleet rather than by the agencies.

I can give details. The 1994-95 budget reflects the full year effect on operating costs of fleet increases from 1993-94 and the initial effect of fleet increases in 1994-95. The average number of vehicles in the fleet for 1993-94 was 2 900 compared with the budget average for 1994-95 of 4 800. Basically, we are pulling the vehicles back into the fold, and that is the reason for the increase. It is a very sound policy.

Mr FOLEY: I am not criticising the policy; I am simply asking an appropriate question in the Committee. You did not explain the sharp reduction in the motor vehicle maintenance and repair line which has dropped from 24 to 12. Could you explain how that is addressed?

The Hon. S.J. Baker: Again, we have made it clear that we are going to be consolidating our maintenance and repairs. Far more work will be done outside Government as a result of changes. We shall have maintenance repairs provided on a competitive basis and there will be further closure of workshops. The number you are looking at reflects a reduction in the number of people associated with that activity. That change will continue. There are significant savings to the Government by getting a competitive price from outside rather than carrying the overheads with respect to garages and the numbers that we employ currently. Significant savings will result from that.

Mr FOLEY: The management of the Government car fleet certainly raises the passion of one or two members of Parliament, particularly the member for Peake and his flying squad of people who are ever vigilant at shopping centres. That practice has not stopped with the change in Government. I understand that Mr Mike Newman, the Chief Executive Officer of this new fleet management team, was a former chief of staff to the Minister for Emergency Services. Will you detail what employment process was undertaken: was the job called; was there a sweep of applicants; and was a procedure gone through to ensure that he was the best applicant? Will you also detail the package and salary of Mr Mike Newman?

The Hon. S.J. Baker: We advertised the position and received about 20 applications, one of which came from interstate. We got it down to a short list of six, I think, and they were assessed by a team consisting of the Commissioner for Public Employment, the Director of the Office of Public Sector Management and the Director of Finance from Victoria who was an outside arbiter. They were the three people who were called in to assess the applicants. They were all assessed according to the attributes that we believed were essential or appropriate. That was outlined in the advertisement and they were assessed on that basis. Mr Newman clearly was in front of the field. The contract is for two years and it is at the EL2 level.

Mr FOLEY: Is the Central Linen Service an item on the Government Asset Management Task Force agenda for privatisation?

The Hon. S.J. Baker: We mentioned at the time of the election that the Central Linen Service was certainly on the

list of Government enterprises which would go through the process of sale. That was quite clear to anybody who read the paper at the time. We have sat down with Central Linen Service, and I would like to pay particular tribute to the manager and the changes that have taken place as a result of his leadership within Central Linen. Some significant improvements have taken place with Central Linen. The changes have been of benefit to a large number of other organisations. Yes, it is on the list.

We will be developing an appropriate strategy in relation to future ownership options of Central Linen. It is not a clear cut case, because we have what could be regarded as a monopoly service for Government, and under those circumstances the sale or otherwise of Central Linen is an option that we have to consider very carefully, given the nature of the organisation we are dealing with and the fact it is almost a sole provider to Government.

Whether or not it will be sold on reflection will be determined by the Asset Management Task Force during 1995. We have set targets for productivity or improvement in operating Central Linen, and those targets are well on track. I will not go through all the targets that have been set but I can say that, under the leadership of David Suter and with a strong resolve by the employees, we have seen some dramatic changes to practices there.

During 1993-94 a total of 54 permanent employees have left the employ of Central Linen. That has been a change. Over 90 private sector customers no longer deal with Central Linen. For obvious reasons, we do not believe that Government should compete with private enterprise. I would suggest that under the previous practice the Central Linen Service received a subsidised service to keep it competitive with other alternatives, and that is not appropriate, as anybody in this room would recognise. There have been significant delivery and operational changes.

Importantly, I would like to mention that Central Linen has now become very active in the area of linen management within the hospital system. Members may be aware of savings that have accrued to Julia Farr, which was in deep financial difficulty and is still in that difficulty, to a certain extent. There have been significant savings to Julia Farr simply by Central Linen providing a service of Central Linen management to that organisation. We have our troops from Central Linen discussing linen management with the hospitals as well, and we believe there are significant savings to be made in that area simply by working together and providing a professional service.

I would like to compliment Central Linen, the manager and all the staff for the dramatic improvements that have taken place and which I expect to continue. We will see a lowering of the cost. We will see the Central Linen Service actively participating in meeting savings targets. We will see new methodology come to pass and we will see Central Linen as a very viable and very strongly performing organisation.

Mr BUCKBY: It has been mentioned on a number of occasions at past Estimates Committee hearings that State Forensic is at the forefront in the application of DNA technology in its investigations. Will the Minister advise the Committee of the current status of DNA testing in criminal investigations in South Australia?

The Hon. S.J. Baker: People have probably seen more reference overseas to DNA developments than perhaps in Australia, and we can take significant pride in the fact that here in South Australia we really are up with the technology and processes to the point where DNA is now being accepted

as a legitimate test. If anybody goes back over the record in, for example, America, they will find that acceptance of DNA over time has had a fairly rocky history. In fact, some jurisdictions still refuse to accept it. I believe we have come a long way. State Forensic here in South Australia is a very accomplished practitioner in its field.

The only test comes when somebody challenges the evidence that has been provided, and this actually happened in March this year. The work carried out by Dr Angela van Daal in the 1992 homicide of Mrs Mavis Pitt was the first instance where PCR typing had been able to link a suspect to a crime scene sample with such significance—less than one in a million people would have been expected to have the DNA profile of the crime scene sample. The challenge to the evidence was anticipated and the PCR work was repeated independently by Dr Sajantila, a recognised international expert in this field at the National Public Health Institute of Helsinki. In addition, statistical analysis of the data was carried out by Professor Chaseling from Griffith University in Queensland.

At the *voir dire* and trial, Dr Sajantila, Professor Chaseling and Dr van Daal gave evidence. The success can be attributed, in part at least, to the well prepared approach of State Forensic Science. The trial resulted in the conviction of one David Jarrett, who received the longest sentence to be handed down in the history of this State. It is anticipated that the PCR technology will now be a routine service for the courts and will aid in the conviction of many criminals who may have previously escaped trial through lack of evidence. So, it has been put to the test; it has survived the test and it is a great tribute to the people concerned.

Mr BUCKBY: I note that, during 1993-94, State Services assumed control of several activities from other agencies, including the City Mortuary from the Courts Administration Authority and State Chemistry Laboratories from Primary Industries, both of which are located within State Forensic Science. Will the Minister describe the impact this has had on the overall overheads and management costs?

The Hon. S.J. Baker: It did take over the City Mortuary and the State Chemistry Laboratories. I am not sure what was happening when it received the City Mortuary, but it did accept it. The transfer of these functions has led to savings and a reduction in duplication. We expect to achieve savings in excess of \$300 000, due to consolidation and the reduction in duplication. In the areas of administration and staffing, we can have economies in infrastructure resources such as accommodation, telephone and computing networks. Substantial ongoing savings will also be achieved with the traditional analytical and laboratory services. These savings will be achieved with the full cooperation of the staff concerned. It has been a smooth and successful transition.

Mr BUCKBY: What action is the Government taking in response to claims that State Fleet has been selling unroad-worthy vehicles?

The Hon. S.J. Baker: Mention was made in the media about unroadworthy vehicles, and we are still developing policies about how we will handle the disposal of vehicles. That will be handled by the Fleet Management Task Force as one of a range of issues. Currently all vehicles are changed over at Netley. They are inspected and any deficiencies associated with roadworthiness are rectified. They do the things there that are evident and a brief road test is undertaken to detect any obvious difficulties with brakes, steering and engine noise etc. Vehicles may be traded in or sent to the salvage auction. Apart from State Fleet vehicles sent from

Netley, all other cars received at Seaton will be subject to a similar examination and brief road test, as I have outlined.

Each Seaton auction also disposes of some vehicles that may be accident damaged, and these are clearly identified in the catalogue and grouped together at the end of the sale. State Fleet already charges customers for damage under the fair wear and tear clause when the vehicle is returned for disposal. In a similar fashion charges will be levied for those vehicles sent direct by departments to the Seaton auction. Those guidelines are being implemented immediately, but there is the issue of whether the Crown should be exempt from the same rules that apply to other competitors in the marketplace. Obviously, there will be legislation that affects that area. We believe that the Government should act responsibly, and we have put a process in place to ensure that general checks are done on these vehicles before they are offered in the marketplace. However, that may not be the long-term strategy. We may allow the vendor to pursue his or her own repairs, but those are issues that we will visit further down the track.

Ms HURLEY: I wish to inquire about the analytical chemistry services provided by the Government. One objective is to provide testing on a fee for service basis to Government, industry and the public and I note that a new ICP-AES instrument was commissioned. What is the Treasurer's view on the value of a Government service buying this sort of instrument when a number of other private services have had one or more of these instruments? What is the Treasurer's view about Government services competing with the private sector? One target is to increase State Chemistry's share of the environmental analysis market where there are a number of private operations.

The Hon. S.J. Baker: I thank the honourable member for her question and the way it was put together, because she is obviously talking about efficiencies of Government and whether it should be competing in this area. Changes are to be made with State Chemistry because its services are uneconomic. As to what happened in 1993-94 and the status of the equipment, I will ask Dr Tilstone, the Director of that establishment, to respond.

Dr Tilstone: As to that equipment and the role that the State Chemistry Laboratory plays, it is reasonably straightforward. There is a number of tests, particularly in the environmental area, that cannot be provided for efficiently in South Australia. Over the years the State Chemistry Laboratory has built up considerable expertise in the area, and it has also built up an ability in terms of its equipment, which is unique in South Australia. As to the equipment in question, it was simply a matter of replacing outdated equipment that had come to the end of its useful life. It was required to maintain a service which has been successful and unique in this State.

Ms HURLEY: Are you saying that the laboratory performs tests using ICP-AES equipment that other services are unable to provide using their ICP-AES machines?

Dr Tilstone: No. Anyone with an ICP atomic absorption spectrometer could cover the same tests. The issue is that there is a considerable demand for that type of work and some extensions of it placed on the State Chemistry Laboratory. One of the pieces of equipment, which is complementary to the AES, is uniquely resourced from the State Chemistry Laboratory. If it did not have the spectrum of supporting facilities, the laboratory would not be able to meet the needs of customers who come forward with questions. In at least a quarter of the cases someone comes to the laboratory for metals analysis in effluent or in sites using analysis

by another piece of equipment—an ICP-MS, which is easier to use—it is unique to the State Chemistry Laboratory. Although customers ask us to do work for them on the ICP-MS, it does not need the ICP-MS, which is sophisticated equipment. It is like using a sledge-hammer to crack a nut. It makes sense to have the complementary facilities with the AES to pick up those tests that can be done more cheaply and simply.

Ms HURLEY: Is there any plan to outsource any of those services that could be done in the private sector from Government analytical chemistry services?

The Hon. S.J. Baker: The answer is clearly 'Yes'. We are looking at all our services to see whether we can gain efficiencies and reduce costs to taxpayers. The State Chemistry Laboratory is no exception: rationalisations are taking place now. We are looking at a potential combination of certain services with the university where there is some scientific research capacity and synergy. The world is changing dramatically, and every service has to stand on its own feet. It has to justify itself on the quality of service delivered, the price at which it delivers and whether it is essential for the Government. They are the sorts of tests we are applying, and there is no exception in this area. If the honourable member wants a briefing on any matters pertaining to this area and the sort of change being looked at, I am sure Dr Tilstone is willing to provide information.

Mr BASS: State Records provides a research and access service for public records to the community. I understand that consideration has been given to transferring these functions. What is the reason for that?

The Hon. S.J. Baker: The issue of State Records is fascinating. I addressed a conference earlier this week on how we store the ever increasing amount of information that is generated by Government, how we preserve information and what information we preserve. I received a letter from a constituent recently who wanted information relating to wages records. True, they did go back in time and I would have thought they had no relevance to historians whatsoever. It is difficult to know from where the demand will occur.

So, we have this awesome task of trying to reduce the amount of paper kept within offices, because that affects the number of cabinets bought and the amount of office space allocated, and literally millions of dollars are tied up in this little enterprise. The issue of record storage is of great interest and importance, although it is not one I have spent a great deal of time on since I took over the responsibility for this portfolio. There are other issues that the Committee should understand. In some areas we have preserved tapes and records and now find we have nothing by which to interpret these records. As technology changes dramatically, the capacity to use the record is not necessarily preserved at the same time.

A whole range of complex issues relate to the storage of records. The loss of records is one issue. Somebody in Britain did a survey and found that, for virtually every Government document raised, 17 copies are made. A quick survey of our own performance suggests that we are not far different from the Brits. Some large, complex and diverse issues must be addressed. We are taking a whole of Government approach to the issue of maintenance and storage of records. We are also looking at the venues for storage and what security must prevail—whether they should stay in the hands of Government or be placed in private hands. Should records be stored on microfiche, microfilm or ASCII II format for safe keeping? These are the sorts of issues we are attempting to

come to grips with, and we are looking for some outside expertise in this area to ensure that the economies we need to achieve are achieved. We must ensure that privacy is maintained, that access issues are dealt with adequately, and that volume storage is reduced to a minimum. They are the sorts of issues we are trying to address as well as loss of potential records in the system.

The Hon. FRANK BLEVINS: Is the Clothing Corporation on your 'to be demolished' list?

The Hon. S.J. Baker: The member for Giles, in whose territory a significant part of the State Clothing Corporation resides, would be well aware that discussions have been ongoing about the quitting of the State Clothing Corporation. In fact, I had recent discussions with staff representatives from that Whyalla establishment on the issues. It is our intention that Government should not be participating in State clothing factories. We are in the process of quitting that area, and the Asset Management Task Force is proceeding in that direction. Expressions of interest have been received.

There are many issues for Whyalla and whether it wants to retain that capacity—whether it can provide a service to the town or BHP. It may well be that there is an industry there that can be maintained through its own capacity to perform. It certainly does not meet the criteria of Government, so we are working through the most appropriate way to quit the asset.

The Hon. FRANK BLEVINS: So you are going to close it or sell it?

The Hon. S.J. Baker: The final determination will be subject to ongoing discussions. On day 1, I could have walked through the doors and said, 'Close the doors; sell off the factory.' I did not do that. The honourable member would know that I have spent some time in the Parliament talking about Central Linen, which is improving out of sight, and I talked about State Clothing and whether it should be within the auspices of Government. I have said for a number of years that that is totally inappropriate. It is no secret to the honourable member.

He has listened to my previous speeches and to the questions I have asked in Estimates Committees previously, so the direction I am taking is no secret. If it is possible to achieve a buy-out or a sale that will enhance or maintain the employment opportunities of the people concerned, that would be my preferred option, and I believe everybody understands that.

The Hon. FRANK BLEVINS: The Government's position is either to sell it or close it?

The Hon. S.J. Baker: That is correct.

The Hon. FRANK BLEVINS: Given that that is the case, has the Government given any consideration whatsoever to the regional employment problems in non-metropolitan South Australia?

The Hon. S.J. Baker: The issue of regional employment problems is being discussed. It has been one of the issues raised by people who have a personal interest in that State clothing establishment. That issue affects 12 people, as I understand it. It is an issue that I am aware of and that is one of the reasons I said, 'We will not close the door on day 1: we will look to see whether there is a more satisfactory solution.' There is no way in the world that the Government will continue in this area. The honourable member would be well aware of my sentiments in that regard.

One only has to look at the changes that have taken place in Whyalla and the effects those changes have had on its employment base. I do not need to go back to shipbuilding

and other areas to see the dramatic changes that have taken place in Whyalla over a period of time. There has been some level of resilience, but I would like to think that, if the people of Whyalla think it worthwhile and there are some market opportunities, they will be taken up by those people, so the option of closing the door will not be one that I have to take up. I need some resolution of this matter and quite clearly it will be resolved.

The Hon. FRANK BLEVINS: I am not sure what that means. Does that mean that the Government does or does not take into account regional employment opportunities?

The Hon. S.J. Baker: I cannot speak more plainly or clearly to the honourable member. I said quite clearly that, if this was not an issue, I would have closed the doors on day 1. I have said I understand what the honourable member is talking about. I want a result that will provide some opportunity for the employees concerned. The taxpayer will no longer be the subsidising agent for its continuation. I made it quite clear: if I did not have any regard, I would have closed it on day 1. I do have a regard and we are pursuing options that might give it a future. One might think that it can survive simply by getting Government contracts which it cannot perform in the same way if it were put out into the open market. It does not have a long-term future unless it can get smarter and better at what it does and provide a service which is competitive. It cannot continue to be propped up by Government.

The Hon. FRANK BLEVINS: So Government will not give financial consideration to regional employment?

The Hon. S.J. Baker: I could go back to what the previous Government did on this front over a long period of time. Its record is not particularly smart, quite frankly. To suggest that suddenly the Government has no regard for regional employment when we are talking about the State Clothing Factory is a particularly long bow for the honourable member to draw.

Mr CONDOUS: In addition to the services that State Forensic Science provides to Government agencies, I understand that in certain circumstances it provides assistance to business and the community within South Australia. What are the details of this assistance?

The Hon. S.J. Baker: The State Forensic Science has had a particularly proud record. Its approach to technology and scientific excellence has been proven and in many instances its efforts have spread beyond its Government-determined responsibilities, examples of which can be found in forensic cases in civil litigation. Recently a paper dealer asked for an analysis of a sample of paper which was being supplied as recycled paper and at a low cost by a competitor. The analysis showed that the sample was in fact virgin fibre paper, resulting in a decision in favour of the dealer. So, whilst the skills and the equipment in South Australia meet the immediate imperative required by the Government, they can also provide a service that is somewhat wider.

Another example is the work carried out in testing parentage, for which there is a consistent demand. Some fathers do not believe that the child is of their making. Unfortunately, it is a very cruel world and it happens. For example, mothers are seeking support for children, disputes occur over wills and estate settlements, and fathers are seeking access to children. In the past, testing in this area could not give strong indications of paternity, but now with the use of DNA technology a person can be immediately excluded as being the father. If he is not excluded, the odds are in the order of 99 to 1 on that the person is indeed the

father. So, we can actually improve the probabilities of the person being the father, and that has a very practical application. It reduces a lot of sweat and tears in the process.

The Hon. FRANK BLEVINS: What guarantees does the Government have for the employees of the Clothing Corporation if it is closed or sold?

The Hon. S.J. Baker: The normal circumstances would prevail as they are Government employees. That matter will be discussed in the very near future, and it will involve the Department of Industrial Relations as well as the Asset Management Task Force. The question is whether those people would wish to relocate to Adelaide, and that for most of them would not seem to be a viable alternative, or whether a separation package would be appropriate.

The Hon. FRANK BLEVINS: They are not going to be sacked, are they?

The Hon. S.J. Baker: That is not on our—

The Hon. FRANK BLEVINS: Thank you. I refer to the poker machine legislation. Whilst it is early days, has any report been done by whoever is involved in the department handling the small but absolutely crucial area of the poker machine legislation, with a view to either State Services getting out of it altogether—there may be a more appropriate Government agency to handle that area—or modifying the legislation to make it a little less cumbersome? If no thought has been given to that to date, because it is early days—although we have been wrestling with it for about 12 months—will such a report be forthcoming and be made available to members?

The Hon. S.J. Baker: That decision is obviously political, and the issue of whether we want those early mornings visited again with the bizarre amendments that resulted out of our last effort in particular areas is an important question. We certainly are looking to the control authority, because there really is not one that has an umbrella responsibility. We have a number of important players in the process, one of which is State Supply, which handles the provision of machines and which is an important component. It deserves a big pat on the back for the way it has dealt with this situation, which has not been particularly well-handled by the manufacturers. Other players include, the Liquor Licensing Commission, the Police Commissioner, the CSA, and the Minister, whom the honourable member kindly designated as the Minister responsible and who is trying to work his way through the minefield. Also, the IGC does the monitoring and the Bull organisation carries out the maintenance. If we had our time over again, we would have devised something far simpler and far more effective. To that end, we are looking at—

The Hon. FRANK BLEVINS: Except it would not have gone through the Parliament.

The Hon. S.J. Baker: Yes, I guess. I am more than happy to put it on the list of items that should be subject to possible legislative change or canvass options in that area but, if the honourable member has a particular preference given his previous responsibilities, I would be pleased to hear from him.

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

Office of Information Technology, \$11 989 000

Departmental Advisers:

Ray Dundon, Chief Executive Officer, Office of Information Technology.

Philip Higgs, Manager, Financial Services.

Steven Taylor, General Manager, Operations.

The CHAIRMAN: I declare the proposed payments open for examination and I refer members to page 53 of the Estimates of Receipts and Payments and to pages 89 to 96 in the Program Estimates.

Mr FOLEY: I make the comment that the Treasurer thought he had drawn the short straw in having responsibility for pokies. I suspect the Premier has done the Treasurer an even more significant favour by having him responsible for the Premier's brave move with information technology.

I refer to the announcement yesterday of the major supplier of information technology services being EDS. The Opposition has pursued a line of questioning now for some nine months that was essentially very simple and consistent. The Opposition believed that the decision two days prior to the last State election to put an in-principle agreement in place with IBM was fundamentally flawed and was nothing short of a political stunt. The Opposition has been vindicated in that line of questioning. We received quite significant amounts of ridicule and quite significant attacks from the Premier about that.

I have been critical of a number of senior members of the bureaucracy in this State, both of the former Government and people still within the Government. I always knew that I was on the right tack in pursuing that line of questioning with IBM because some of the advisers the Deputy Premier now has around him advising him on information technology are bureaucrats of, I think, the best quality we have in Government and whose advice I have respected over time. I say that because the whole stunt with IBM prior to the last State election needed to be exposed and I feel vindicated that the Opposition has exposed that. It is probably no secret to members of this Committee that the Deputy Premier played a significant role in bringing back on track the whole issue of information technology. I suspect it was the Deputy Premier who pulled the Premier to one side shortly after the election and said, 'What have we entered into with IBM? Let's have a closer look at it.'

I now turn to the specifics of the EDS contract and how the Government intends to manage it. How does the Government intend to factor into its whole budget papers the savings of \$100 million per annum that have been identified? How will they appear in future budget papers? How will they be itemised? How will we know where those savings are, or will they simply be lost in the volumes of the budget papers next year?

The Hon. S.J. Baker: I think the honourable member has given me far more credit than is due, because certainly the Premier has been the driving and motivating force, with the obvious support of his Cabinet colleagues, in changing the face of information technology in this State. That is consistent with a number of other areas of new activity that the Government will be generating for South Australia. It has been a vision and a determination to change and recognise that the world is changing around us and that we were being left behind. That is enough of the rhetoric. However, it is important to understand what a key role the Premier has played in this process.

In terms of the budget representation, the Government deals with it agency by agency: it does not feature directly in the budget because each of the agencies has been set a

savings target, and ultimately the charge out to each of those agencies will be directly to those agencies. I think that is important to understand. There will not be a big line. Information technology is a separate item, with the decreases over time then being shown.

There is no doubt that savings from this area should have accrued to Government a long time ago and, in fact, they have not gone in that direction: quite the opposite, particularly with respect to software developments, as the honourable member would appreciate. The cost of hardware has come down over a period, so that when people have bought new machinery they have had the benefit of that, but the software applications and the lack of professional contractual arrangements have inhibited the capacity to achieve savings in Government. This is one of the issues addressed by the outsourcing arrangement.

Some of the savings will obviously start to flow more freely after we have the system bedded down. In the first year of the contract we do not expect to see significant savings, simply because getting each component of Government together will be no mean feat in itself. Ministers have already said to me, 'You won't take those savings away from those agencies, will you?' The issues of how that is managed and the budgetary processes will be subject to further negotiations as each budget becomes due.

Mr FOLEY: As I made clear to the Premier yesterday, whilst the Opposition cautiously welcomes the decision to appoint EDS, we are concerned about the enormity of this contract. As the Premier said, this is the largest contract ever entered into by a Government in Australia and is huge by world standards. The Premier made the point yesterday that only one other Government in this country has even attempted anything near what this Government has done, and that is Victoria, which has done one agency in 18 months. The media and public commentators have not yet come to understand the enormity of this whole process. We have something in excess of \$1 billion over a 10 year period of Government expenditure in what is an unproven and untried area of Government activity.

Whilst we cautiously welcome the steps you are taking, as an Opposition we will not simply sit back and be spectators on this issue. The role of the Opposition will obviously be to scrutinise this whole process. Is the Deputy Premier confident that sufficient safeguards are in place to ensure that cost overruns and various other factors that arise quite regularly in the area of information technology will not arise, and to ensure that what is essentially something driven for cost savings will not end up being more expensive for Government?

The Hon. S.J. Baker: That is an excellent question. It is an issue in which as Treasurer obviously I have a very keen interest, because if there are no savings we should not be doing it. If those savings are not realised we should do it in a different way. One of the difficulties that previous Governments have faced is that agencies have negotiated or signed contracts because they have thought it is a good idea—somebody else is doing it; they were told about savings or their technology is wearing out and it is time for a replacement or an upgrade. There is a whole range of reasons why people take on new computer applications. It has been driven by the agency, often by people who have no understanding of the fundamental flaws, capacities, compatibilities and communication abilities of the machinery they order.

That area is getting better as people start to understand and we get some common platforms. But the only time we know

whether software has worked is when it is put into operation, and there we have had some disasters. I do not need to tell the honourable member the number of areas where the cost blow-outs have been absolutely enormous, including JIS and the motor vehicles system. I could go through a whole range of agencies where there have been disasters. The issue the honourable member raises is of absolute importance to me, and here professionalism is important. As the honourable member mentioned, we do have some talent in this State which I have grown to appreciate in terms of the people working within OIT.

An honourable member interjecting:

The Hon. S.J. Baker: I certainly have; it has been quite dramatic. Not only do we have people here who are very good at their jobs but, importantly, we have pulled in outside expertise. The process of contracting has never been looked at seriously. People have just signed up on the dotted line, saying that it sounds like a good idea. Then, when the software does not perform they find they have no opportunity to claim damages and they have to keep paying more for the product. There are plenty of examples of that. So, we can say that we had a team—and Ray might be able to tell you about it—that went around the world looking at the establishments where outsourcing had taken place. They told us a little about the advantages and a hell of a lot about the pitfalls that they had found on the way through the system. Whilst we were generally comforted as regards the professionalism of EDS, we still recognise the need to get those contracts right and tie them down so tightly that if they move one inch off the middle line we have a right to claim damages or get it fixed up pretty quickly. That is a key issue, which is vital to us as we go forward.

We have had outside help from Nolan Norton, which has international experience as well as an Australian presence, and in the legal area we have had the services of Shaw Pitman from Washington, which on inquiry we found was recognised universally as great practitioners in this area, and Technology Partners Incorporated from the USA. We are trying not to rely on our own expertise, which has been the problem in the past, and we really have to use people where we do not have the experience or the capacity to get it right. So, we have not relied on our own resources. We have sought help; we have sought wider experience and looked at outsourcing arrangements which have been successful, including all the human relations issues and transfer of data security systems. All those sorts of issues were looked at by the team, and they came back to South Australia convinced, if they were not already convinced, that there was potential that could be met but that we had to make sure that we contracted in a very professional fashion. As Treasurer, I am well aware of how we can get socked in the jaw if we do not get it right, and we must make every endeavour to do so.

Mr FOLEY: I appreciate the candour with which the Deputy Premier answered that question. He has perhaps moved on a little further from the Premier's comments. He has highlighted that there are real risks associated with this, and as a community we need to be aware of that. I suspect that he has never given a big wrap to the whole IBM approach to this. I have never heard him rise to the defence of IBM, and that probably speaks volumes about the whole approach of IBM and the way Government and particularly senior Government officers have viewed all the tactics of IBM. I turn now to Professor Mudge and his work. What future role will Professor Mudge play in this area? Is it now

up to the Office of Information Technology to manage the final negotiations and where we move from there?

I would also like to know more about Professor Mudge's background and the Deputy Premier's understanding of the expertise he brought to this role. I understand that the only business he has worked for went bankrupt some years ago, so I was a little surprised at his appointment and his senior role in the work that was undertaken. How much is Professor Mudge being paid for his efforts?

The Hon. S.J. Baker: Obviously, there are two components to this exercise. They were basically kept separate for much of the process so that one element would not overrule the other, and they were distinct entities. One was the issue of the outsourcing contract, the benefits that could flow from that contract, what arrangements could be put in place and how we managed the process of competitive tendering. So, one part of the task force was committed to the information technology itself. The second part of the task force was responsible for the IT 2 000 vision. If the honourable member does not already have a copy of that document I can provide him with one, and that was the result of the work of the task force involving Professor Mudge. His involvement has been more on the industry development side, with no capacity to make decisions but simply to act as one of the advisers to Government. Members here would recognise that Craig Mudge was one of the leading exponents here in South Australia in the development of microchips.

Mr FOLEY: The company went bankrupt.

The Hon. S.J. Baker: Many people in Australia have been excellent practitioners but have gone broke over time simply because they have put their heart and soul into enterprises that have not proved to be successful. We were not engaging Professor Mudge for his financial expertise. We asked him to come on board because he had special understanding and knowledge of changes in technology, which is his area of expertise, plus the fact that he had some background that would be useful to the Government particularly as to where technology was taking the world and where we should be heading. He was engaged for that purpose as a consultant. I do not know of any other person in South Australia more fitting to carry out that task, given his background and intimate knowledge in this area.

The member for Hart cast some shadows over him, but I suggest that, in the area of telling the Government where technology was taking us and where we should be heading, he would have been one of the people whom the member would have listed as a potential person to provide such information. He was not the only one on the task force; there were other people with a variety of expertise and knowledge in this area.

Ray Dundon reminds me that Professor Mudge was also involved in the design and manufacture of computers in the late 1970s. He has been at the technology edge. As I said, he was employed not for his financial expertise but to give us some insights into where he believed technology was taking us. In terms of payment to Professor Mudge, in the financial year 1993-94 the sum is \$57 000, and there are various component parts of that. Some of it relates to consultancy, costs and expenses associated with his involvement in the consultancy. I can provide a breakdown of the \$57 000 if the member wishes. I do not know how much he was paid in consultancy fees and how much was paid for other services that he was required to deliver. I can also take on notice the expected payment for 1994-95. I will provide that information.

Mr FOLEY: As a supplementary, Mr Chairman—

The CHAIRMAN: Before the honourable member continues, I am not sure whether the honourable member said he thought or was certain about Professor Mudge's financial background. If the member is uncertain rather than certain, it would be inappropriate of this Committee to do what could be irreparable damage to someone who has no redress. I may have misheard the honourable member; he may have said that he was certain.

Mr FOLEY: Mr Chairman, I take exception to that comment. Under parliamentary privilege I will choose to comment as I see fit in areas such as this. My understanding is that Professor Mudge's former business went into receivership. I make that comment in no way, shape or form as an aspersion on his ability to advise the Government if the Government sees fit to take that advice. I am simply applying a line of questioning and a standard that this Government in Opposition made an art form.

I would not be fulfilling my role as an Opposition member scrutinising this area unless I was prepared and able to put on the table all the known facts. It is important to have on the table the business experience of somebody who is advising the Government on a contract worth in excess of \$1 billion over the course of 10 years. Pursuing that line of questioning further, was Professor Mudge involved with the then Opposition in discussions with IBM and the work that was undertaken just prior to the last State election involving the in-principle agreement with IBM?

The Hon. S.J. Baker: The answer is clearly 'Yes' to the extent that at the time of the launch Professor Mudge was called upon to comment on the wisdom or otherwise of that proposition. At the time he was one person who said that this was the way to go forward. I cannot remember his exact comments, but he had been consulted because we had determined where we wanted to be in the year 2000, or whatever, on this particular issue. As regards the IBM approach, we wanted to know who could provide us with information and detail that would assist us in assessing this proposition, and he was one of several people whose opinions were sought.

I think the honourable member would have done the same thing if somebody had walked through his door and said, 'I can do a deal, and this is the sort of deal I can do.' We would be looking at it and asking, 'What are the upsides for the Government, the taxpayers and the people of South Australia?' Professor Mudge was one of the people whom we consulted on this issue, and he is probably one of the few people whom we would have consulted. I do not know what his background is. I know that his super chip did not achieve the success that he would have hoped, but I understand that it was used and improved by other practitioners in the marketplace to their benefit.

Mr FOLEY: The involvement of Professor Mudge prior to the last State election and subsequently intrigues me. Was he appointed to this task force following the State election by the Premier or by you, or was there due process in terms of an appropriate selection panel appointed to select him? Will you explain how Professor Mudge was brought into this position so quickly after the election?

The Hon. S.J. Baker: As I explained, Professor Mudge was consulted prior to the election. We wanted some information which we could not produce from our own resources and had no capacity to answer. Subsequent to the election, a task force was formed, of which Professor Mudge was a member. That did not go through a process of selection

in the normal sense of the word, as the member would appreciate. People were sought and canvassed and the best combination of talent was put together. We did not put an advertisement in the paper, and I do not think that the member would have done that either. We simply considered what combination of talent we needed and who could be invited to participate in that process. It was seen not so much as a competitive issue as what combination of people we needed to provide us with advice on this issue. I make no excuse for that. It is a process that Governments in the past have pursued quite successfully. It is different from appointing someone to a permanent job in the public sector.

Mr FOLEY: We are talking about a key person in a contract worth in excess of \$1 billion and what has been described by the Premier as the largest in Australia's history. Did you receive advice from your senior bureaucratic advisers that Professor Mudge was the best person to fulfil this role; and, if so, are you prepared to table that advice?

The Hon. S.J. Baker: I should like to make a comment here which I think is vital to have on the record. Professor Mudge was to look at the industry development opportunities that would prevail should a major company come to South Australia and be involved in outsourcing and Government computing. Professor Mudge had no intimate dealings with EDS or IBM on the issue of who could provide the best service. That issue was not looked at by Professor Mudge. The issue relating to the contract with EDS and the savings and how it should be done was not put in the general area of responsibility of Professor Mudge and his team. Professor Mudge and his team were to look at the development opportunities that could prevail in the circumstances that we are outlining.

He was looking at development opportunities. He was not there to give EDS, IBM or anybody else a tick at all. He had a different responsibility. So, the contract itself had to stand alone. He was to look at what we could spin off into South Australia, and what was important for South Australia's future that could be done in parallel or as part of the process. Members should be quite clear about that issue.

There seems to be some intent by the member for Hart to attach a certain level of importance to Professor Mudge which, can I say, does not attach. We had a very professional team, some of them are members around this table. I could list the honour roll of people who dedicated a huge amount of hours, over weekends, well into the morning, simply to test the veracity of the statements made by various people right from the very beginning. Professor Mudge was not involved in that process. Professor Mudge was not involved in the engagement of Nolan and Norton. Professor Mudge was not involved in the engagement of Shaw Pittman.

I want it clearly understood that the professional determination of the capacity to perform, which really the whole contract revolved around—and it was made quite clear that we were simply not going to proceed unless the savings were there—was not in the province of Professor Mudge. His responsibility, in conjunction with the members of his task force, was to look at development opportunities. If we can get that right, we can withdraw from the notion that Professor Mudge had anything to do with this \$1 billion contract, quite frankly.

Mr FOLEY: I have heard Professor Mudge speak on a number of occasions. I am not sure whether the 300 or 400 people who were at a forum that I attended would totally agree with that assessment of the role of Professor Mudge. Professor Mudge was a key player prior to the election when

the in-principle agreement was announced with IBM. Shortly after the election Professor Mudge assumed a senior role in the unfolding of this whole issues, and he was paid \$57 000 for it. With all due respect to Professor Mudge, it is a legitimate avenue of inquiry for the Opposition to establish what link, if any, existed.

The Hon. S.J. Baker: Certainly. I do not have a problem with that.

Mr FOLEY: I am not casting aspersions on Professor Mudge. I am simply putting fact on the record and trying to work all this through. Are you aware of any link, involvement or association between Professor Mudge and IBM?

The Hon. S.J. Baker: My only knowledge about Professor Mudge is that he has dealt with IBM in the past in his professional capacity. I am not aware that he is a shareholder or has a particular interest or anything in IBM. I am not aware of that being the case at all. If I look back over the events of the past nine very hectic months in this area, from where there was a declaration of some understanding between the Premier and IBM, and then we reflect on where we finished in respect of the contract we are about to involve ourselves in, one must say that there have certainly been some changes because of the information made available on that issue.

If the honourable member suggests that there was some distinct linkage in respect of IBM, I would ask the member to consider where the decision finished over that nine month period. If that strong commitment was made in the first place and there were all these powerful people telling us we had to stick to IBM, on reflection we have something that is highly significant and with a partner different to the one people perceived we were in bed with. Accusations made about pay-offs and various other things at the time were totally untrue. We should reflect on everyone's statements over the past nine months and see where we started and where we finished, and then you can understand the integrity of the process.

Mr FOLEY: That is the very point. Where we were on 13 December 1993 and where we are today are significantly different areas, and that has been the line of questioning the Opposition has pursued from day one, that is, the IBM deal simply does not stack up. We knew the advice you would be getting from your senior officers. They would have been telling you it did not stack up, and over time we have been vindicated, because it did not stack up. EDS was clearly the more superior supplier of the service you were after. Our concerns about the whole quantum of the work you are outsourcing at the end of the day may not stack up.

The Hon. S.J. Baker: You are making a point about IBM. We had a team of people who went to various venues around the world and looked at the arrangements being made by IBM and EDS. Again, I think the honourable member needs a briefing on this issue because I do not know that he can conclude that the IBM deals done by all these various agencies around the world have been duds. In fact, it is quite the opposite.

What they found was IBM and EDS are the best two companies in the world. Whether we drew the conclusion ultimately that our best interests and the best interests of South Australians were served by EDS rather than IBM, which is the conclusion we drew, should not take away from the fact that we were dealing with the two most capable companies in the world, and it would have been possible to do a deal with IBM which could have been to the benefit of South Australia. As it turns out, because we had a look at IBM's performance in outsourcing arrangements, I suggest

that the members of the team were not disappointed. We got a better deal out of EDS, and we are very pleased with that.

I do not know that we can keep kicking IBM. IBM was quite capable of performing on contract and delivering significant savings, but there were some areas of superiority of EDS that were important. There were also significant advantages to EDS because of its desire to use Adelaide as its regional base. Some of the benefits that flow from that arrangement are really very compelling. We did satisfy ourselves on a whole range of issues in respect of how the two companies rated, and we were satisfied with both companies on a range of issues. However, overall, EDS satisfied us more than IBM, and that should be clearly understood by this Committee.

Mr FOLEY: We are at one on that. You are reinforcing the point I was making. I am not casting aspersions on IBM's capacity or ability throughout the world. However, the best advice the former Government was given repeatedly was that what IBM was offering to the former Government was not sufficient for it to enter into any long-term arrangements. The point I made was that, in the past nine months, with that advice, knowledge and understanding that we had as an Opposition, I felt at the end of the day that IBM would not be able to deliver the best proposal to Government, and I was proven correct. I do not think that you and I are that far apart on that.

I suspect the underlying point is that you have come a long way from 13 December. I suspect that IBM should do two things. First, it should not repeat the mistake of getting involved in a cheap political stunt two days before an election. Secondly, IBM needs to review—and I am quite happy to say this publicly—its whole style of lobbying, both Opposition and Government, and it could well do with a clean out of those managers involved, in any way, shape or form, in dealing with particularly South Australian Governments over the past couple of years. In fact, I suspect the clean out began four weeks after the last State election.

I say to the Deputy Premier, 'You are doing something that no other Government has done before.' Why has no other State Government done what you have done? Why have you been willing to put at risk more than \$1 billion of expenditure over a decade when even the great Liberal conservative reformer Jeff Kennett can do only one agency in 18 months? With respect, I suspect Jeff Kennett has a few more runs on the board in terms of bold and strident reform, yet he has reformed only one agency in 18 months while you are willing to do the whole of Government in 9 or 10 months.

The Hon. S.J. Baker: The answer has three component parts. The first is the determination by this Government, the Premier, the Deputy Premier and the whole Cabinet to see dramatic change in this area. I do not want to be as patronising as the honourable member was in his reflections on the need for change for IBM. I would simply say that South Australia has been left behind and it has always had this terrific capacity to perform and out perform the rest of the States, and this is one area that we looked at well before the election. We said there was great opportunity and it will get bigger rather than smaller. As to where Jeff Kennett spends his energy and where Dean Brown spends his energy is a matter of conjecture. In 10 years the history books will determine who was right or wrong. I suspect Dean Brown will get more accolades for the changes in which he has been involved.

The Hon. FRANK BLEVINS interjecting:

The Hon. S.J. Baker: I suspect that that is what historians will write as a result of our determination to be relevant and important in this area. That is our determination, and Jeff Kennett has other priorities because he obviously put much energy into knocking off the Grand Prix and other areas. He likes to fiddle in the arts and play with casinos and be involved in other areas of enterprise. That is fine. He has been successful in those ventures, one would assume. We also assume that the budget seems to be holding up well, and the *Australian Financial Review* and the *Australian* have given him and Alan Stockdale gold stars for their efforts in recent times. He can be pleased with his achievements. Here we have said what we need and what we need for change, and we have determined what the volume of business should be.

That involved much vigorous discussion over three or four months in determining what was the critical mass—what we really needed to do, first, to get coordination in this area so that we do not have the stupidity that we have had in the past and, secondly, to achieve a size of contract so that we can get leverage into other areas. That involved considerable debate and conjecture over a period, and every issue has been hotly and freely debated by our professional and OIT advisers, people who were called in by the Cabinet subcommittee and everyone concerned. We have had interesting and telling debates on some of these issues.

Mr FOLEY: One difficulty is how the Government manages the process. I noted in the *Financial Review* on the weekend that the Health Commission is advertising for a senior IT manager. Why would the commission be advertising for a senior IT manager when the whole future of IT is in question? This point illustrates the complexities of implementing what the Government is trying to do.

The Hon. S.J. Baker: There is good reason for the Health Commission's needing an IT manager. It is in a hell of a mess and is probably one of the worst agencies in terms of coordination and common systems. We go spare at Treasury waiting for returns to come from some of the health units. It is a difficult situation. There is a need for us to maintain control over our own destiny, particularly control over our own needs, and not have them dictated to us by the vendor, and this requires people with contract experience in place. We have to have people involved in applications of the agencies remaining in those agencies for the processing and introduction of new software applications and packages. There will be movement on such issues, but Government has to control itself and the process. We will not suddenly see 1 000 IT people marching out to The Levels. A segment of Government will go, but a component of Government which exists today is absolutely essential to tell Ministers, 'These are our information needs and this is how we believe they should be satisfied.' How they will be satisfied will be subject to negotiation between us and EDS. The Health Commission is in great need and at this time it is a good idea.

Mr FOLEY: Again to illustrate the problems that we have, the EWS is just putting in place a \$30 million computer and ETSA is investing millions of dollars in its infrastructure. Is the Deputy Premier now instructing all Government agencies, particular statutory authorities where it is sometimes a bit dubious as to how much power the agencies will allow the Government to exercise, that no further contracts will be entered into? What is the status of existing contracts such as those that the JIS has with major suppliers and providers of services, the courts and various areas of Government where major contracts are in place?

The Hon. S.J. Baker: Existing contracts will continue. I refer to an item I am dealing with, that is, the Masterpiece Suite, which is to be used for our accounting systems. We have not stopped because we have outsourcing on our hands: the requirement for that to continue remains. It will be put on existing systems. It will then be taken under the wing of the outsourcing agent, EDS, and translated onto other common format. Obviously machinery will change over time, the formats will change over time, and it will be the responsibility of the outsourcer to ensure that Masterpiece works properly—as well as the person selling us Masterpiece—and that the data needs of Government are satisfied in the process. They are the demands we will be making. We have not stopped Masterpiece simply because we are outsourcing.

As the honourable member would recognise, we have a variety of systems and a variety of contracts in place which are ongoing; they will continue to be satisfied. Regarding what piece of machinery they will be on in two or three years and whether they will be amalgamated with other packages to make them work better, those sorts of changes will take place as a part of the contract with Government, but we are not stopping contracts. We have certainly slowed down in certain areas, because we are not satisfied that some of the contracts entered into had been professionally negotiated.

The slow down of contracts is really asking, 'Do we need this, and, if we do, what safeguards are to be put in place?' We will not then have a situation whereby we must go back and correct it because the software contract simply does not hang together very well. Tandem is a very expensive contract. That is my advice: there might be some other advice that can be provided to me. My understanding is that we cannot involve ourselves in Tandem until the whole project is put in place and then we can outsource.

Mr Dundon: There are confidentiality clauses in relation to the Tandem contract that will need to be worked through with Tandem's legal advisers and our legal advisers before it would be possible to novate that contract to EDS. The intention is that ultimately over time it would move in that way, but it will not be done as one of the early transition agencies.

Mr FOLEY: Will the Deputy Premier provide a schedule of consultants, the costs associated with those consultancies that have been expended to date, the consultancies expected to be used in the forthcoming financial year, and the detail of each brief?

The Hon. S.J. Baker: I am happy to take that question on notice. As you can appreciate, there are some contracts that still have to run. Everyone has had a brief; some run into pages, and I am not sure we want that to fill up *Hansard*. The honourable member can raise it in Parliament if he is dissatisfied with the terms of the brief. We can provide the information about consultants, the general area of work for which each consultant was responsible, and whatever information is available on the contract consultancy that the honourable member would require. There might be some confidentiality with existing contracts until they are through, but I will get Mr Dundon to look at that and we will provide whatever information we can.

If the honourable member has any questions, we would be happy to answer them. It can be placed on the *Hansard* record so that the honourable member will have some idea of the total costs of each consultancy and the general brief associated with each consultancy—and any documents that may assist the honourable member in understanding why that consultancy was raised.

Mr FOLEY: When will the public of South Australia, through the Parliament or whatever process, be made aware of the full detail of the contract with EDS and exactly what the Government expects? Whilst I appreciate that now might not be the appropriate time to provide that information, I would hope that there is a forum in which we can have full and open scrutiny of what is the single largest contract ever entered into by State Government in this area.

The Hon. S.J. Baker: I know it is a technical point, but there is no contract in place. We are now going into the process of due diligence in order to sign on the dotted line a contract which provides the sorts of benefits that we have talked about in the public arena. There are some issues that the honourable member would respect. I am more than happy to give the honourable member whatever private information we can make available. There are some issues that the honourable member might wish to contest publicly, and I do not have a difficulty with that. Regarding the extent to which we can provide the honourable member with any information during this due diligence process, I point out that it will not be satisfied this side of Christmas. I have a particular time frame, somebody else has a different time frame, and we all agree about what is an appropriate time frame given the issues involved.

On the various time frames we hope that the contract will be locked in by April at the latest. I would like to think that we could actually have it satisfied by December, but as yet I have not actually talked to my troops, who have gone through a fairly strenuous period in recent weeks sorting out the negotiations, so I have not actually discussed this with the people concerned. They are far better placed than I to say, 'It's going to take a little longer than you first thought.'

The Hon. FRANK BLEVINS: Or more expensive.

The Hon. S.J. Baker: Or be a little more expensive, as the honourable member quite rightly points out. We have not actually had these discussions yet, so I could be right out of court in saying that I thought originally that the contract could be signed by December. My latest advice is that it will have to be April, but I have not actually discussed that issue. At that time the major ingredients of that project will be provided for public debate. Obviously if EDS has gone into bat in our arena it does not want everyone to know what the batting order is and what sort of deal it has signed up, as that could affect future negotiations in other areas. So, we will have to be a little circumspect. I will see if there is some way around those particular issues.

Basically we cannot reveal certain issues to the marketplace because that would be inappropriate, but I can give an assurance to the honourable member that, if we can provide him with what he needs to appreciate fully that we are actually doing a good deal for South Australia or otherwise, we will do so.

Mr FOLEY: I can still hear the shouts across the Chamber from the Treasurer when he was in Opposition about commercial confidentiality and how outrageous an excuse it was for Government to use that as a reason not to disclose information, but then politics is much about hypocrisy.

The Hon. S.J. Baker: I have given you an undertaking and that is more than I ever got out of the former Government. If it had not been so confidential we might not have had the extent of the disaster that we experienced. I have offered private briefings for any individual, including the shadow Minister. If there is an issue about which people want some satisfaction, I will arrange a briefing. The former Treasurer

offered me on at least three or four occasions an opportunity for briefing on particular issues, and I satisfied myself on those issues that the matters were well in hand, so I had no difficulty. In other areas, we were just wiped off the board and no information was provided. I am giving the honourable member an undertaking that whatever information does not cause distress to the vendor will be made public.

We are dealing in an open marketplace, and it is obviously important that the interests of all parties be protected. However, that will not be to the exclusion of the issue itself, which is that South Australia has to do well under this deal, and we will ensure that it is put in place. That is the best assurance I can give the honourable member to date. If, between now and when the contract is finally determined, the honourable member wishes to provide me with a list of areas of curiosity or areas about which he feels dissatisfied, I can take advice on that and be prepared to provide such information. He can certainly ask me across the floor any time he likes how we are going to the point where I can indicate within a month or two where we will finish the contract, so he can think seriously about those issues.

Mr FOLEY: I think I will do that. I am able to get far more information from the Deputy Premier than I am from the Premier, and I certainly acknowledge that. April next year is nine months away, and it seems to be a rather long time before this deal is consummated. It seems premature to have had the pronouncements that were made by the Government in the past 24 to 48 hours about the significance of this matter and its impact. If a contract takes eight or 10 months to consummate, it indicates that the degree with which you have agreement between the two parties is minor, and that there is indeed much work to be done to get that deal to a stage where it is anywhere near being an agreement set in concrete. Can the Treasurer elaborate on that? I am somewhat surprised that the Government would make such a fanfare, and trumpet the achievement of something that will take the best part of a year to stitch up.

The Hon. S.J. Baker: I congratulate the honourable member, because he has not said that what the Government is doing is a bad thing. I appreciate and respect the point of view he has put forward. I must admit that he has said it is all being done in a bit of a rush. That is not consistent with his latest surmise about the time taken for the process. The time taken for the process is of the order of three months. The issue is the extent to which both parties are now capable of going ahead and progressing through a very extensive process. Somebody said that the first part is easy, and the next part is really tough in terms of the involvement. What you have to do is stitch up a contract on every service that is being provided and reach an agreement. There are 140 agencies involved. Each of them has to be visited, each of their daily requirements has to be worked through, and agreements have to be reached to that level. It is a very intensive process.

In the next month the Government will be planning for that process to make sure that the check list of contract items that have to be satisfied are listed; that we have a clear understanding of the arrangements to be put in place; what the get-out and penalty clauses are, etc. All those issues have to be thought through during this period. The next month or so will be spent planning that process. From November—remember that we are into the silly season and probably one or two people will miss out on Christmas because in America they actually work over Christmas—through to February we will be going through due diligence which is on the time

frame that we had previously discussed, and in March we will be finalising the contract negotiations.

It is basically a three month due diligence process. I did not appreciate the level of planning required to make sure that every time we write a contract on provision of service it is as watertight as is humanly possible, that it contains performance standards, and that we reach agreement on all the essential issues. It is a very intense period, and the people who have undertaken some hard work in the past months will also be involved in some very extensive and intensive work over the next few months.

The Hon. FRANK BLEVINS: The press release issued yesterday had some pretty hard figures in it—\$100 million savings over 10 years. Can the Treasurer inform the Committee or let it know later how that was assessed and explain the figuring on which it was based? I refer also to the extra jobs. From memory, I think 1 300 extra jobs were referred to but I know that in news broadcasts the Premier tends to up the ante a bit. I hope the figure was not plucked out of the air. I would appreciate it if the Treasurer could provide all the figuring leading to the press release.

How will we be able to assess these savings at the end of 12 months, two years and so on? In other words, I assume that we are establishing benchmarks now. We have brought all this material together so that we can put out a press release, and then we have something in place to measure the savings. If the Deputy Premier would supply us with that information, it would be appreciated.

The Hon. S.J. Baker: I will give you a skeleton and Ray will talk about the process of the negotiated price and where the \$100 million comes in. The negotiation took place over a period of time. The point at which those contracts were due to finish was last Thursday, and we did not complete the contract until early this week. That meant a fairly intensive effort. On the information being processed, the basis was the level of savings EDS was willing to give us. A number of factors were taken into account. Finally, when EDS said, 'Look, this is what we are going to contract for, and we are talking about \$100 million a year', EDS put a price on its product and its net present value calculations were done on the price as we ran through the nine years of the contract and the savings target to be reached.

So, under the net present value of that expenditure we derived a value of savings in excess of \$100 million. Those calculations were obviously subject to scrutiny by a number of parties, including the Treasurer, who had a look at them at the end of the day, to ensure that there was some correctness in the process. A number of parties were involved in the process, and the dollar costs over that period were estimated and the savings calculated. The key to that whole issue is to ensure that those savings are translated into the component parts of the contract. That will be subject to due diligence in the final contract. The component parts have to be compatible with the term end point savings. That is the issue of the \$100 million over the life of that contract.

On the issue of scrutiny, the Auditor-General has taken great interest in this project and process, so we hope that the chief watchdog of the State remains satisfied with the procedures and processes we are following. That is the issue of the savings targets, but perhaps Ray could provide any addendum or critical advice which I have left out and in which the honourable member would be interested.

The Hon. FRANK BLEVINS: It seems to me to be an absolutely extraordinarily complex way of going about saving

\$10 million. I can think of a hundred ways of saving \$10 million.

The Hon. S.J. Baker interjecting:

The Hon. FRANK BLEVINS: Don't interrupt: there's no need to be rude just because you're feeling the heat a little. The issues in this are extraordinarily serious; the privacy issues alone are extraordinarily serious. The issue of tying up so much of the Government's budget and ability to operate in this area with one company is enormously important. What does the Government think about having parliamentary scrutiny of the whole issue by the Economic and Finance Committee or perhaps a select committee of both Houses so that these issues can be identified? There is the question of commercial confidentiality and private briefings being offered to certain individuals. I am not sure where that leaves the public. I think this area lends itself to being scrutinised publicly.

The Hon. S.J. Baker: On the issue of privacy, I should have thought that this might solve a few of our innate problems. The honourable member should understand just how bad the system can be at the moment. Some of the agencies are very good, but others are very bad, and access has not really been addressed in a professional manner, and neither has privacy. I know that the honourable member yawns when we say that the CIA has done it and social security and veterans' affairs in Britain have done it. All these other non-sensitive people have done it, but it still remains an issue. I think this is one issue that we can put to bed. We set the requirements of the system and the outsourcer has to comply with them. They are professionals and they have dealt with just as sensitive information as we will produce in any of our systems.

I keep hearing this rubbish about privacy. For goodness sake, there is more capacity to be non-private about the current system than would naturally prevail under a professional outsourcing arrangement. This is the Democrat argument. I bless the member for Giles with more sense than that, but it seems that he has been talking to his mates in the Upper House who do not know too much about it at all, and he is taking up the privacy issue as being of importance. It is not an issue. If it is an issue, we will ensure that the standards are comparable with the best that prevail. We have a much better chance of controlling privacy under this arrangement than we have had in the past.

The second issue relates to the level of scrutiny that should prevail. I do not know what point the honourable member is talking about with regard to the scrutiny that prevails now. It appears that he does not trust the Auditor-General or the Government. He does not believe that the Government should make decisions without the Parliament sitting alongside.

The Hon. FRANK BLEVINS interjecting:

The Hon. S.J. Baker: Well, that's right. I spent 11 years in Opposition watching you lot trash the State. Now you want someone to come alongside and do the sorts of things that I wanted to do then. The responsibility of Government still prevails. The Committee, by its own resolution, can take on issues of importance. The idea of the Opposition sitting as a watchdog of the Government after what it has done to the State I find hard to stomach. I have not given much thought to it other than having the Auditor-General on board as someone watching over our shoulder and providing appropriate scrutiny.

Mr FOLEY interjecting:

The Hon. S.J. Baker: The Auditor-General did not do the State Bank. The Auditor-General said that the reason why the

State Bank went down for the count was that he had not done the State Bank.

The Hon. FRANK BLEVINS: I find that answer alarming as well as disappointing. I find it alarming that the Minister should suggest that privacy is not an issue. I can tell him that privacy is and will be an ongoing issue. Until such time as the Government is prepared to front the Parliament in a proper manner and make sure that Parliament has all these privacy issues sorted out, it will be of ongoing concern to the Opposition and to the community. It may not be to the Treasurer, but it is to everybody else. My question was quite clear.

The Hon. S.J. Baker: I am happy for that debate to occur. The standards that are laid down will have to be adhered to by the vendor. I am more than happy for the debate to occur. It does not happen to be one of the major issues, as has been proved by professional arrangements in other jurisdictions, but it is an issue that has to be satisfied. I agree with the honourable member.

The Hon. FRANK BLEVINS: I am pleased that the Treasurer had some reflection on his previous words. I think he will be embarrassed when he reads *Hansard* tomorrow. The question of Parliament sitting there watching Government as somehow being something that is not desirable, I find that an appalling attitude and I hope that nobody will support the Treasurer in that. My question was a very simple one. Would the Treasurer or the Government have any objection to a joint select committee of the Parliament into this area, particularly with respect to the privacy issues as well as the other issues that have been raised, or a standing committee of the Parliament, whether it is the Economic and Finance Committee or whatever is appropriate?

The Hon. S.J. Baker: My attitude is that Parliament is there to scrutinise the role of Government. The honourable member was suggesting earlier that, 'We want to be in the pockets of Government, making decisions for it and being involved in the decision-making process.' We are in the process of making decisions. At the end of that process, if the Parliament feels that it should—and I do not have a difficulty if it feels that it should—or if the Economic and Finance Committee feels compelled to—which it can do under its own motion anyway—review certain aspects of the contract, that is appropriate. I do not have a difficulty with the issue of scrutiny. Half the problem previously was that the doors were

locked and sealed and the bolt was closed to everyone who wanted to look in and find out where the mess was. There are obvious issues of confidentiality that have to prevail in the circumstances.

The Hon. FRANK BLEVINS interjecting:

The Hon. S.J. Baker: If the honourable member, when those contracts are in place, wishes to pursue inquiries about the workings of the outsourcing arrangement, I do not have—

The Hon. FRANK BLEVINS: It is too late then. I want it before the contract.

The Hon. S.J. Baker: For crying out loud, given the honourable member's penchant for making financial blunders, I would not have thought that his involvement—

The Hon. FRANK BLEVINS interjecting:

The Hon. S.J. Baker: That is outrageous.

The Hon. FRANK BLEVINS: So you do not believe the Parliament has a role in privacy issues or in these contexts?

The Hon. S.J. Baker: Given that we have only about one minute to go, I might take the time to acquaint the honourable member. He is very well aware of the role of Parliament. He is also very well aware of the decision-making process of Government. The facts of life are that the Auditor-General is overseeing the process very diligently. If the honourable member is saying that the Auditor-General is rotten—

The Hon. FRANK BLEVINS interjecting:

The Hon. S.J. Baker: I have not actually seen the member for Giles having any expertise in the area of technology.

The Hon. FRANK BLEVINS interjecting:

The Hon. S.J. Baker: Well, you have been abusing your privilege all night. You have not stopped yapping since the moment you walked in here. At some point with the honourable member—

The CHAIRMAN: I apologise to both members. I have to end the session. It is 10 p.m. I declare the examination of the vote completed. I thank the Deputy Premier and his assistants for their attendance; members of the Government and Opposition for their astute questioning; and members of *Hansard* and the table staff for their attention on the Committee.

ADJOURNMENT

At 10 p.m. the Committee adjourned until Thursday 15 September at 11 a.m.