

**HOUSE OF ASSEMBLY****Wednesday 21 September 1994****ESTIMATES COMMITTEE A****Chairman:**

The Hon. H. Allison

**Members:**

Mr E.S. Ashenden  
 The Hon. Frank Blevins  
 Mr R.D. Clarke  
 Mr I.F. Evans  
 Mr R.G. Kerin  
 The Hon. M.D. Rann

*The Committee met at 11 a.m.*


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Economic Development Authority, \$42 719 000

**Witness:**

The Hon. J.W. Olsen, Minister for Industry, Manufacturing, Small Business and Regional Development.

**Departmental Advisers:**

Mr J. Cambridge, Chief Executive Officer.  
 Mr J. Frogley, General Manager, Prudential Management.  
 Mr G. Marlow, Acting Manager, Small Business Centre.  
 Mr M. Krasowski, Financial Controller.  
 Mr T. Tysoe, General Manager, Business Climate.  
 Mr B. Munsberg, Chief Executive Officer, SA Centre for Manufacturing.  
 Mr D. Mitchell, Acting General Manager, Business Investment.

**The CHAIRMAN:** I advise that any information to be supplied later must be submitted to the clerk of the House of Assembly no later than 7 October. I declare the proposed expenditure open for examination. Does the Minister wish to make an opening statement?

**The Hon. J.W. Olsen:** Yes, Mr Chairman. Before doing so, I offer my congratulations to Mr Mike Rann on his election as Leader of the Opposition and Mr Clarke on his election as Deputy Leader of the Opposition. I wish them well in their endeavours on behalf of South Australia. I wish the Leader of the Opposition a long and rewarding career, as I had as Leader of the Opposition. I am sure he will find it an extremely challenging task. It is one of the positions in the Parliament to which many of our colleagues and I would never aspire again, but I congratulate you sincerely on your election as Leader and Deputy Leader of the Opposition.

Over the past nine months or so the Economic Development Authority has gone through a substantial structural change and, I would argue, has performed beyond all expectations and targets in difficult circumstances. A significant cultural change, new direction and focus was given to the Economic Development Authority. That restructuring has in many instances brought together a management team with the infusion of new talent and the experience of a number of officers from the past. The results

of that restructuring are beginning to show, such as the release in the report this morning of \$600 million worth of new investment capital expenditure to date. With that, of course, 2 600 new long-term jobs and up to 8 000 indirect jobs have been created as a result of that new investment attraction.

Additionally, over the next 12 months we have committed some \$350 million worth of project funds to complete those investment programs that have been agreed to and put in place. Also, the Economic Development Authority is currently negotiating a range of incentives with some 60 companies, and the authority and the Government are trying to facilitate the establishment or expansion of those companies within the State of South Australia. I know that the Leader of the Opposition would have been pleased to see the announcement on Monday that Southcorp is to relocate its operations out of Victoria and to consolidate in South Australia. That means not only that the jobs of the constituents in Salisbury that the Leader was concerned about are protected but that an expansion will occur.

This morning I have the pleasure of announcing the establishment of South Australian Ship Builders Pty Ltd, a new company which will focus on building fast aluminium wave piercing ferries and which will be located at Port Adelaide. It will involve an initial investment of \$2.5 million, the creation of 100 jobs in the first 12 months and up to 300 jobs over the next three years. The important component of that is the consortium and strategic alliance that has been put together. That company includes: Don Williams, Chairman; Michael Thomas, who has previous experience in Lincoln Ship Builders; and, more importantly, Phillip Hercus. Phillip Hercus was the designer of the catamaran that plies the English Channel and, of course, maintains the transatlantic record for a vessel plying the Atlantic. In addition, the Verboom family, who are out of Western Australia and who have an excellent record in ship building, are part of the consortium. So, Don Williams and SAS have brought together a consortium of people that will give great impetus to that. They will focus on export market potential and opportunities for their product. Their key objectives are to provide a comprehensive and integrated range of services, support and assistance to business throughout South Australia in their quest to attain and sustain international competitiveness.

An additional objective of the EDA is to create a new business climate as a major competitive advantage—and that is a key focus of the Government's objective—and also to identify, analyse, target and generate high quality investment in South Australia. To that extent, the electronics industry is but one example—the wine industry is another—in which we are developing a strategic plan for expansion and development. The industry currently employs 5 000 people and has the capacity to double in size between now and the turn of the century.

I would like to commend the Chief Executive Officer, John Cambridge, and the members of his management team for the process and the performance which, I repeat, has been outstanding, particularly when one considers the fact that, at one stage in the restructuring phase, the complement of staff of the EDA was less than 50 per cent of its entitlement. Despite that, the performance indicates that we have a bright future for South Australia not only in the number of projects that have come to fruition but in the range of projects in the different industry groups that are included in the 60 companies with which we are undertaking intensive

negotiations. I would trust and hope that over the course of the next three months we will see continuing announcements from the Government about new and expanding enterprises in South Australia for the benefit of all South Australians.

**The Hon. M.D. RANN:** I thank the Minister and others for their kind words. I mean what I say, and I have said publicly outside this Committee, that the Opposition will be positive about economic development in this State. We believe the Opposition can be of assistance to the EDA in a number of areas in terms of its contacts with the Federal Government. An illustration of that is the Orion project, but we do have contacts with Labor colleagues in Canberra who often are instrumental in making decisions that can affect the future of South Australia, and on a range of other projects we are willing to be of assistance in the interests of the State. That does not mean to say, of course, that there will not be times when we will put areas under scrutiny, because clearly that is our role.

In terms of the Government's economic targets, in the Premier's reply to the budget speech of September last year, when he was the Leader of the Opposition, he said:

The Liberal Party will have a whole of Government approach to financial and economic management with a clearly defined strategy in specific targets, which will be met.

He said that this included real growth in GSP of 4 per cent per year to be met in the Government's first term of office. I understand that the Government's own forecast showed a decline in growth, as follows, with growth in 1997-98 still being less than when the Government came to office: 1993-94, 3.25 per cent; 1994-95, 3 per cent; 1995-96, 3 per cent; 1996-97, 3.5 per cent; and 1997-98, back to 3 per cent. The Liberal's policy statement of 28 November also set targets of 15 per cent per annum real growth in export earnings and the creation of 200 000 jobs over the next 10 years. Granted that the budget reveals that the Government's own 4 per cent per annum growth target will not be met, what is the Government's revised growth target to be achieved over the balance of this term in office?

**The Hon. J.W. Olsen:** First, I do not concede the point that the Government's growth targets will not be met. From the point of view of the Economic Development Authority and this Ministry, we have set a target of \$500 million worth of new investment each year, which will be required to generate a 4 per cent growth factor each year. To date, in the nine months since we have been elected to Government, we have attracted in excess of \$600 million in new dollar investments in South Australia. Under the program that we have in place, in the course of the next three months we will well and truly exceed our dollar investment target during the 1994 calendar year. That being the case, that will subsequently be reflected in percentage growth—that is, 4 per cent growth each year. The Economic Development Authority has assessed that in order to obtain the 4 per cent we must get the minimum \$500 million, and I am pleased to say that we are actually attaining that—and that was from a standing start last December. I think that record speaks volumes for the work that the various agencies have done, in particular, the EDA, the Centre for Manufacturing and the Business Centre.

**The Hon. M.D. RANN:** When does the Government expect 4 per cent annual growth to be achieved; what is the current rate of export growth; and when does the Minister expect to achieve a 15 per cent growth rate?

**The Hon. J.W. Olsen:** I cannot give the Leader a precise time frame as to when the actual target will be obtained, apart from simply repeating that our performance thus far indicates

that we are well and truly on track to attain that growth target. The projections included in the documentation to which the Leader refers are projections that the Economic Development Authority and I are intent on beating. We will attain that 4 per cent.

I remind the Committee that it is but nine months since the last election and that when we came to Government the Economic Development Authority was negotiating only a handful of projects. We have expanded that handful of projects out to 60 projects currently, and that is increasing as momentum is building up. We have, for example, the expansion in the IT&T area, which is showing enormous growth. The Government was intent on getting Motorola and put in place an incentive package to do so. Using a whole of Government approach in terms of information technology, telecommunications and data processing enabled us to bring in a company the status and size of EDS. The benefit of getting such companies into South Australia is the drag effect of other associated companies. If you obtain the critical mass and a senior large company, it will attract a range of other companies with it.

For example, when General Motors-Holden's established here a range of support companies immediately established here also. When Motorola went into India, a range of international companies followed it there to set up around it. We are finding the same in Adelaide: with EDS, the computer programming and the industry development component of EDS, we have had the same experience. In fact, within a week of indicating our position on EDS the Government received four letters of intent from companies wanting to open up negotiation for complementary establishment of industry facilities in South Australia.

So, to come back to the Leader's question, the target of 4 per cent is a target which we can and will attain. It will take us some time to position ourselves to get there. From a standing start it has been an outstanding result to the extent that interstate Governments and Ministers are starting to look at the approach we are putting in place and the success we have been able to achieve in South Australia thus far. The March quarter State accounts confirm that the economy's performance through 1993-94 had been lagging behind the national average. Growth in both employment and profits was lower than nationally. As best we can establish, the economy is currently growing at between 3.25 and 3.5 per cent, where the Australian economy is between 4 and 4.25 per cent. As those companies establish, as export markets are created, as jobs are generated and as we attract other industries, we will get to that investment and subsequent flow-on growth.

**The Hon. M.D. RANN:** I am trying to get answers to questions on previous announcements of targets. Will the Minister indicate whether the Government stands by its 200 000 new jobs target over the next 10 years? I ask that question because, to create 200 000 jobs over this period would require an annual average growth of 20 000 jobs, and I understand that the Government's target for this year is around 10 000 jobs. This means that up to 30 000 jobs will have to be created or 5 per cent employment growth achieved to achieve the 200 000 jobs.

**The Hon. J.W. Olsen:** As the Leader would know, the Government indicated that it had a target for year 1 of 12 000 jobs. The Leader would be aware that we surpassed that 12 000 job generation six to eight weeks ago. If you add to that the announcements that have been made in recent weeks, we will more than surpass our target this financial year. I stress that that is from a standing start. Normally when you

benchmark targets you expect to ramp up from a slow start to where your objective is. In but nine months of Government, from a standing start we have been able to take up that graph in a very dramatic way. I refer to the sort of development taking place at Technology Park and also to the South Australian Housing Trust purpose built factory scheme involving building works last year of around \$3 million. This year it has something like \$40 million plus on its books to meet the requirements of the Government's negotiated arrangements with companies establishing in South Australia. That is an enormous increase, a staggering increase, from, I repeat, a 'standing start' in December last year.

At Technology Park we have the Australis building going up, and I think that the contract for the construction of the Motorola building is due to be signed next week, and there is also the EDS. The development of Technology Park will see a component of employment on that site of up to 4 000 people within a few years. That is an extraordinary growth. As these companies are established, as we have the drag effect into South Australia, so we will get a more dramatic increase in the number of jobs being generated.

Whilst I have placed some emphasis on the number of new investments and the attraction of new industry, the Government has not forgotten the existing manufacturing base in South Australia and existing industries. It is planning how we might expand that base, using the manufacturing modernisation program, and positioning our manufacturing industry for international competition and world's best practice. The Leader, as the former Minister, would be well aware of the outstanding programs that were in place when he had oversight of the Centre for Manufacturing. I refer to programs such as the manufacturing modernisation program and the continuation of the positioning of those manufacturing industries.

So, it ought to be said that, as well as chasing and expanding in a new industry sector—IT&T—we are also building on the structures that are there. Employment trends in industry are showing growth occurring in the private sector. The dominating sectors are manufacturing, wholesale and retail and finance. Manufacturing employment during May 1994 was 5.8 per cent up on May 1993.

**The Hon. M.D. RANN:** Certainly, the Opposition shares with the Government the belief that economic development is the key priority; that is obvious. I am delighted that the Minister acknowledged the manufacturing modernisation program, and I think it was and is a very effective program. I am also delighted to see Mr Cambridge at the helm of the EDA. Whilst we share that commitment, unlike the Government we do not believe that economic development can or should be achieved at the expense of basic fairness in regard to those already worse off in our community. That is an ideological issue that is not the prerogative of this Committee.

However, if the deal with Motorola that the Minister has just mentioned is capable of delivering the benefits claimed by the Government, it will certainly have the unqualified support of the Opposition. I understand that the Government claims that the Motorola deal will generate up to 360 jobs over a five-year period and has the potential to attract other major information technology and communications operations in its own right apart from other things.

However, it has been hard from some of the Premier's statements to find exactly what the State Government's role has been. Is it not the case that Motorola was already locked into committing expenditure of over \$400 million in Australia

under the Federal Government's Partnerships for Development Scheme? Is it not the case that under that PFD scheme, negotiated by the Federal Government, companies such as Motorola were and are obliged to establish research and development and/or export activities somewhere in Australia? I guess the question is: which part of Australia? Various things have been said, particularly by the Premier. We are aware that Motorola was always going to set up shop either here or in New South Wales. We have seen articles saying that the deal was snatched from Western Australia and New South Wales, but at what cost we have never been told.

I understand that Mr Cambridge told the *Business Review Weekly* (the issue of 13 June this year) that the package that was offered was at the top end of the dollar-per-job basis. In light of the fact that Motorola announced that it would set up a \$112 million corporate research and development centre in Sydney only days after the Premier began announcing the Adelaide software centre, and the fact that, according to Commonwealth sources, South Australia was likely to receive a share of the Motorola deal in any event, can the Minister assure us that the incentive package represents a net benefit to the State, not in terms of Motorola coming here but in terms of the incentive package that was offered?

**The Hon. J.W. Olsen:** The first point about the Commonwealth's Partnership for Development Scheme and the location of Motorola needs to be put into context. The negotiations between the South Australian Government and Motorola had been extensive and were running parallel to negotiations between Motorola and the Commonwealth Government. There was no sign-off with respect to the PFD deal with the Commonwealth Government until such time as arrangements had been concluded and completed with the Government of South Australia. There was very firm and stiff competition in respect of winning that Motorola deal from Western Australia and Sydney.

The incentive package that was put in place has been disclosed to the Industries Development Committee, which has scrutinised that package. In relation to the size of the package, I put it in this context: it is not anywhere near as good as the incentive package given to the Submarine Corporation by the former Government. I think that that puts it in some context.

This is a regional headquarters for Asia-Pacific. It is an important addition and is part of the critical mass that we want to establish in IT&T. In taking the economic development of South Australia away from primary production and placing it with the manufacturing industry, as the Playford Government did in the 1950s and 1960s, we lost our competitive edge in the 1970s and 1980s. The Government is intent on expanding the State's economic base through primary-value-adding, manufacturing-upgrading, modernising, by being internationally competitive, and by expanding into the new generation of economic development—IT&T. That will take this State into the next century and will carve out a niche and reputation for South Australia nationally and internationally.

Therefore, the incentive package that we put in place was appropriate. Bearing in mind that, on the eve of the submission, New South Wales was putting forward further proposals to Motorola, I think the way in which the Economic Development Authority put the package together was a great achievement, and David Mitchell and Barry Orr both worked very hard on that. Incidentally, some 400 software engineers will be employed by the year 2000. The flow-on effect of that will be the creation of another 1 820 indirect jobs in South

Australia over the next five years. That is a very important coup. I want to stress that it is not only attracting that company here but also the flow-on effect, the drag effect, of other companies coming to establish as a result of Motorola.

Another example of that is Australis in establishing its customer service centre in South Australia, also with an incentive package. Once again, it was not as significant as the Submarine Corporation incentive package. Both Rod Price from Australis and Terry Heng from Motorola out of the United States said in press conferences that it was not only the size of the cheque that attracted them to South Australia but the way in which a package of benefits was put together and the way in which we had treated them as a customer, identified customer needs and addressed those needs in the total package. Witness Motorola: there was a concern about the level or number of graduates who would be available to meet their needs. In the United States, the University of Motorola meets its needs.

We recognised the concern and had discussions with the three vice-chancellors, who responded to our concern, and we were able to go back to Motorola within a week and address that concern about its location in Australia and in South Australia. So, it was a range of components in the package that was the basis of having that company establish here in South Australia. We expect that it will contribute more than \$60 million to gross State product over the next five years, with projected exports from that software centre of \$200 million by the year 2000.

**Mr KERIN:** Acknowledging the importance to the South Australian economy of maximising our remaining Grand Prix opportunities, what involvement will the Economic Development Authority have in the 1994 Grand Prix?

**The Hon. J.W. Olsen:** The EDA is working with the Department of the Premier and Cabinet and the Tourism Commission in providing a whole of Government approach to inviting and hosting a wide cross-section of local, national and international business leaders to this year's Grand Prix. The focus, principally, will be on business opportunities and hosting the appropriate national and international business investors and leaders. In addition to the on track hosting of guests on the Saturday and Sunday in the State suite and a suite of South Australian Tourism Commission, the Premier will host a breakfast on the Saturday morning at the Festival Centre, which will be looking at investment opportunities in South Australia. A dinner will also be hosted by the Premier at the Ramada Grand Hotel on the Saturday evening. But, in addition to that, as we are the sponsors of the Grand Prix this year, we are proposing to use that to the maximum advantage of South Australia in a marketing sense.

One of the things that concerns the Premier, certainly something that I identified in my visit to Singapore and Jakarta earlier this year, is the lack of understanding and focus of South Australia in those regions. In its attempt to address that issue in the Grand Prix week, we will be hosting a series of events in Hong Kong which will focus on South Australia. They will include, on the Saturday, a trade promotion activity over eight hours at which a range of wines and food products out of South Australia will be on display. We will be hosting a dinner on the Friday night to which a selected group of 150 to 200 Hong Kong investment people will be invited, and there will be a presentation about South Australia.

In addition to that, on the Thursday we are targeting educational opportunities in South Australia. On the Sunday, we will be hosting a luncheon in Hong Kong, which will

include a direct telecast of the Grand Prix. From track side, the Premier will present a message to that group. In addition, Star Television has agreed to undertake a promotion of the Grand Prix in which South Australia will feature, and there will be a message from the Premier. Star TV has an audience of 200 million people in the Asia-Pacific region. Also, there will be a five to eight minute film clip of South Australia and investment opportunities in South Australia. In other words, we are attempting to market this State by using the vehicle of the Grand Prix in the Asia-Pacific region. The Premier will be hosting the series of events in Adelaide and I will be in Hong Kong for those four days hosting a series of events in Hong Kong to complement what is being done in South Australia.

**Mr KERIN:** Several towns in the Frome electorate, including Peterborough and Jamestown, have found the Main Street program to be an important stimulus to bring the community together towards local improvement. How does the Main Street program operate; and how will the 1994-95 \$330 000 allocation be used?

**The Hon. J.W. Olsen:** I have no doubt the Leader will be extremely interested in this, having seen the start of this program during his time.

**The Hon. M.D. RANN:** We initiated it; we stole the idea from another country.

**The Hon. J.W. Olsen:** I think New South Wales had also kicked it off. It is a good program and has been used to significant benefit in a range of communities, both city and rural. We have received 32 applications from different communities requesting assistance for the 1994-95 program. Seven communities of Angaston, Kapunda, Laura, McLaren Vale, Nairne, Riverton and Unley Road were selected to be provided with a package of assistance, including business planning, marketing, tourism and, in particular, cultural tourism, small business operations, strategic planning, and so on. Angaston, Kapunda and Unley Road, plus Mannum and Bordertown, will be provided with \$15 000 each to help them employ a coordinator.

Of the 16 communities provided with assistance in 1993-94, 7 will be provided with ongoing assistance of \$10 000 each to continue the employment of coordinators for 1994-95. The remaining 65 communities that have contacted the program for assistance will be provided with ongoing advice and support. So, the program has been extremely successful; it is a good program, and I commend its establishment and initiation. We are expanding it.

**Mr KERIN:** Will the close integration of the South Australian Centre for Manufacturing with the Economic Development Authority change the mission and direction of the Centre for Manufacturing?

**The Hon. J.W. Olsen:** Yes, with the restructuring of the economic development programs out of South Australia, what we wanted to do, as indeed the Federal Government is attempting to do, is to remove the confusion about the myriad of programs that are available and the different points at which you can access the program. The business community, quite honestly, is confused: where do you go and what agency do you access? The Government wanted to get a whole of Government approach to that. That was not to suggest that any one of the agencies was not performing; quite to the contrary. We wanted to put it into an integrated structure so that we could have a clear focus in the delivery of economic programs.

The Centre for Manufacturing has become part of the Economic Development Authority as of 1 July this year. We

are looking at changing marginally the Small Business Centre through legislation that will be introduced to the Parliament later this year. So, we will have the Economic Development Authority and, within the Economic Development Authority and agencies, we have out the Centre for Manufacturing and the Small Business Centre. What I propose to do with the Small Business Centre and the Centre for Manufacturing is to put in place an advisory board to the Minister over-arching those two functions. They will continue to operate as separate entities. They will continue to run the programs as they have in the past.

The whole objective is to advance and enhance program delivery, remove the confusion and assist those programs. To that extent, the Centre for Manufacturing has been having discussions with the Federal Government in relation to AusIndustry and how those programs can be delivered in South Australia. My intent and that of the Government is to upgrade the role of the Business Centre and the programs that it can deliver to the small business community; it will continue as a stand-alone centre, the Centre for Manufacturing continuing to function as it has in the past, delivering the range of programs that it has delivered, in consultation with AusIndustry.

The Centre for Manufacturing has developed an outstanding reputation nationally, and to that extent one could argue almost internationally given that Bob Munsberg has had discussions with the Hong Kong Productivity Council and with Malaysia in terms of what we do here and how that can complement and enhance manufacturing facilities and productivity gains in those countries. The restructuring is to bring about a clear focus, remove the confusion and enhance the delivery of those programs to the business community.

**The Hon. M.D. RANN:** Pursuing questioning in a positive way about the Motorola deal, I know we cannot table documents in an Estimates Committee, but, as we have a facility for omnibus questions and information to be placed on the record—and given some of the articles that have appeared in the national press, including the *Business Review Weekly* and other publications—will the Minister provide details of the incentive package provided to Motorola to establish clearly that the deal is in the public interest? There have been allegations from other industry sources that we paid too high a price: that we bid up for something that we could have got for a lower bargain. That may or may not be the case. You have assured the Committee, the Parliament and the media that that is not the case, and that can be established if the details are made available. We have had reports that the package is worth \$13 million in revenue forgone. Is that accurate; will you disclose the calculation of net cost and benefit from the deal that must surely have been undertaken as part of any negotiation; and will you tell us the cost per job created and the impact on Government revenue of a Government that claims that its major priorities are debt reduction?

**The Hon. J.W. Olsen:** No, I will not release the package, which is similar to the practice of the former Government. The full details of the Australian Submarine Corporation package were not released publicly. However, the Government has given a full briefing to the Industries Development Committee of the Parliament, on which Labor members are represented. The presentation to the IDC contained all the documentation and the incentive package that was put forward to Motorola in successfully gaining its establishment in South Australia. I think that the appropriate forum, as has been the practice in the past, is for that bipartisan committee

of the Parliament to look at the package. It has done so and given its endorsement to the package.

**The Hon. M.D. RANN:** There were concerns that a number of packages were being proposed without running them past the IDC prior to those packages being offered, so that was a clear breach of intent. Your refusal to release the details of the package seems to fly in the face of assurances made by the Premier on 28 November 1993, when he said that the Government would be committed to open and honest government fully answerable to the Parliament and the people. How can we be assured that we did not spend more than we had to spend if the taxpayers do not know?

**The Hon. J.W. Olsen:** If the Leader of the Opposition wants a confidential briefing on the package, I would be more than happy to facilitate one. I will ensure that the practices of the past, which were followed by the Leader when he was Minister, are followed by this Government in the presentation of all details for the IDC, which has occurred.

**The Hon. M.D. RANN:** We gave details prior to offering the package, not after being called upon in Parliament to disclose them.

**The Hon. J.W. Olsen:** The position in relation to Motorola surfaced in January this year, which was before the Parliament had met and before the committees had been established. There was negotiation and a window of opportunity of three and a half to four weeks. The Government, and certainly I, was not going to allow Motorola to slip through our fingers and be located in Perth or Sydney by the procedures. I am sure that the Leader of the Opposition would have been extraordinarily critical of the Government if it had not acted quickly, decisively and in a timely manner and won that contract for South Australia. We got the deal and we exposed all the components of the package to the committee. That is the appropriate way to go and we will continue to do that in future.

In relation to comments in the *Business Review Weekly* or in the media interstate or an interstate Minister's comments, I can well understand why Phil Gude, the Minister in Victoria, made his comments. He did not win the deal, so, to justify to his constituency why he did not win the deal, the logical thing is to say, 'They gave too much and we were not prepared to bid that much.' There are two points to be made on that. First, the Government of South Australia inherited budgetary circumstances which mean that we do not have a lot of money to throw around anyway. Therefore, we have to be careful and cautious about the incentive packages that we have and will continue to put in place. These companies are important for the economic rejuvenation and rebuilding of this State. I repeat, the committee had full details of those deals exposed to it.

**The Hon. M.D. RANN:** I am trying to establish some accuracy about public statements that have been made. On 12 May the Minister said that the former Government gave enterprise zone status to Technology Park. In fact, that was an initiative that I as Minister put in place. In relation to Motorola and Australis you said, 'It involves no more or less than that in relation to a number of the specifics connected with both Motorola and Australis.' Various statements have been made by the Minister and the Premier that appear to be at odds.

**The Hon. J.W. Olsen:** I do not think that statements made by me or by the Premier are at odds.

**The Hon. M.D. RANN:** I prefer to believe you.

**The Hon. J.W. Olsen:** As much as the Leader would like to drive a wedge between the Premier and me, and try as he

will, he will not be successful. These details have been signed off by the IDC, the bipartisan committee of the Parliament on which Labor members sit. Indeed, in relation to the South Australian Shipping Company, announced today, the IDC universally signed it off and asked, 'How can we get more projects like this in South Australia?' With the bipartisan support of the Opposition in attracting industries to this State, we will start the rebuilding. As the Leader knows, it is inappropriate, when negotiating with 60 other companies, to put up in neon signs the packages that we put together for other companies. All they will do, as the Leader well knows from his experience as Minister, is to lever and ramp up the incentive package based on what somebody else has got. Every proposal has to be treated on merit. You do not put out the cards that you are holding in your hand during the negotiating phase. I am sure the Leader wants us to get the best possible deal for South Australia. The way to do that is to negotiate one on one with these companies and not expose the incentive arrangements that have been put in place in the past so that they can be used to our disadvantage in negotiating the best deal for South Australia in future.

**The Hon. M.D. RANN:** I am not suggesting otherwise. What I am trying to establish is the principle that the IDC has been established to look at these deals and to give bipartisan approval to packages that must be confidential in advance of the packages and the deals being signed. We need to re-establish that principle in a bipartisan way, not after the fact and after a series of contradictory statements by the Premier. I am not quite sure what the Premier's involvement was in the deal. I saw him on television, and other people have told me that the Minister was much more instrumental in that, but I do not expect you to comment on that.

In future it would be useful for the IDC and me to be contacted in advance, and we are happy to talk to Federal Government Ministers of our persuasion in order to assist the Minister in his endeavours. It does not help when a series of waffly statements have been made by the Premier and have been rightly picked on—not by Phil Gude, who would care what he said, but by the press nationally—because the Premier's statements are clearly contradictory about what was offered to Motorola.

**The Hon. J.W. Olsen:** The principle of presentation to IDC is something that is agreed to and is being followed by the Government. Occasionally, the negotiating process makes it difficult for the IDC to review the process before coming to some agreement. In the process of negotiating with a company and going backwards and forwards about certain deals and arrangements to come to a final position, it is impossible to consult with the IDC before you sign off on some sort of heads of agreement. Our commitment is this (and the principle is right as soon as is possible): that will be presented to the IDC for its review and comments. If we can do it in advance and it is practical to do so, we will, but during the negotiating stage, as the Leader would know, that is sometimes just impossible.

**The Hon. M.D. RANN:** Recently we have heard that Gerard Industries will receive assistance worth \$2.5 million for construction of a new manufacturing facility at Strathalbyn for the production of electrical switch gear equipment. There also appears to be additional assistance from the SADF, and the facility is expected to employ about 80 to 100 people. I am not knocking that, because in my time as Minister and that of my predecessors at different stages substantial assistance has been given to Gerard Industries. Everyone would be aware that a series of improvident

investments were made by Gerard Industries in the 1980s, and there have been persistent concerns about Bob Gerard's role as Managing Director and also some aspects of the debt and financial viability of the company; hopefully that has been resolved. What is the current financial position of Gerard Industries? Can the Minister give a clear undertaking concerning the security of the public, in so far as it involves Government investment to assist Gerard Industries?

**The Hon. J.W. Olsen:** I cannot give the Committee an analysis of the finances of Gerard Industries, as I could not give a detailed analysis of the finances of the majority of companies in South Australia, Australia or internationally. What I can do is refer the honourable member to the annual reports of Gerard Industries, which have been released publicly. The support that the Government gave to Gerard Industries was a matter that was presented to the Industries Development Committee in advance of any announcement and Cabinet approval for the small incentive package that was put forward. The full financial details of the company were presented to the Industries Development Committee prior to the incentive package being put in place. Several years ago, Gerard Industries, like many companies in Australia with the depth of the recession that we had to have, it impacted adversely on the company, and there was a financial restructuring, which I believe has well positioned the company for the future.

There is no doubt that Robert Gerard, as a person within the community of South Australia, has been generous. I just witnessed the support to take the composite South Australian soccer team to participate in Indonesia where they played exhibition matches, ran coaching clinics, did shopping centre presentations and really did assist to raise the profile of South Australia in Jakarta—another very important and emerging market for us. The Gerard Industries support would be to the extent of a purpose-built factory at Strathalbyn—the same type of facility that the former Government put in place for Gerard Industries at Murray Bridge. It would assist with the creation of 100 jobs in the Strathalbyn district. Gerard Industries is also upgrading Nuriootpa. It has said that it prefers to complement its city manufacturing facilities with those of the country, in that the industrial relations and work ethic in the country areas is exceptionally good and complements its overall production and costs of production. The Government's support to Gerard Industries involved a purpose-built factory at Strathalbyn, and it is no different from the support provided by the former Government to the Murray Bridge undertaking.

**Mr ASHENDEN:** The National Industry Extension Services subsidise business development managers who assist South Australian firms in improving their performance: is the Minister happy with the expertise within NIES, or does it need constant upgrading?

**The Hon. J.W. Olsen:** The role of the business development manager is to target key organisations for assistance and improvement, and to bring about international competitiveness. Given that we now have to compete in a global market, we have to become internationally competitive. Within the enterprise, the business development manager's role is to manage the enterprise improvement process, to coordinate the resources required, to provide assistance, to make appropriate introductions to complementary organisations, to disseminate sector-specific information on a continuing basis, and to coordinate and leverage State and Federal Government programs.

It is important to stress that the business development manager needs to be industry credible in order to assume the role at the first point of contact in the case of any queries involving an industry within any given sector. SACFM continues to entertain a wide range of international people who are still able to provide some additional knowledge and skills to staff. Visitors in more recent times include Japan Management Association Consultants Group, the Westinghouse Quality and Technology Centre, the G.E. Aircraft engines people and a private consultant from Finland and a representative of MIT in the US. As part of the professional development of business development managers, they are being progressively introduced to overseas organisations through leadership of industry leaders' tours. Recent initiatives include a tooling network best practice tour and food best practice tour, both of which have been led by the South Australian Centre for Manufacturing Business Development Manager. The downstream impact of that will be a considerable and very positive one.

**Mr ASHENDEN:** There is no doubt that the service industry is the key to economic growth in Australia and South Australia. However, Governments have tended to fail to foster the growth of the service industry. What is the Minister's department doing to rectify the situation?

**The Hon. J.W. Olsen:** A recent Federal Government report has confirmed that service growth, particularly in exports, could treble within the next three to five years. The Federal Government's policy direction is focused on the export market and the development of a range of export opportunities—a thrust with which I agree. The EDA has broadened the service and support that it already provides to SACFM to encompass the service industry. Dedicated advisers are drawn from the sector to work with service companies. During 1993-94, SACFM worked with over 70 companies on projects to improve their competitiveness and develop overseas markets. This year we are providing an increased level of specific trading personnel to ramp up that activity. SACFM has already had considerable success with programs in manufacturing, much of which is equally applicable to services, therefore taking advantage of the existing structure within the Centre for Manufacturing.

**Mr ASHENDEN:** A number of constituents in my electorate, particularly in the service sector, have had their requests for assistance turned down by the South Australian Centre for Manufacturing. Why has this occurred?

**The Hon. J.W. Olsen:** There are over 50 000 service sector companies in this State. A number of agencies—and I refer to the Small Business Centre, the Centre for Manufacturing and the Economic Development Authority—are trying to develop a focus on different segments to bring out the best. SACFM necessarily has adopted a targeted approach to its support to those companies which show strong growth or the potential to match South Australia's growth and the need to meet the Government's requirement. The Government's requirement in these areas is to value add in the primary production manufacturing industry and to ensure the creation and generation of job opportunities in South Australia by accessing export market opportunities, import replacement and becoming internationally competitive.

There must be some corraling and targeting of incentive packages. The Government is attempting to target its incentive packages to give support to becoming internationally competitive, to being able to compete globally, to securing an industry base in South Australia, and, therefore, to securing jobs in South Australia for South Australians.

Eligibility criteria have been established to focus on companies with high growth and export potential which meet those criteria. Information technology, technical services, health, education and tourism are components of the service industries that we are looking at in trying to access international markets and opportunities. Ineligible companies are referred to appropriate agencies for support.

If the Centre for Manufacturing sees a company that does not quite meet its criteria and if the Business Centre can offer support through, for example, the business development plans that we are now working on or some other support service, that inquiry may be transferred to the Business Centre for assistance. The Centre for Manufacturing is networking with other agencies to ensure that Government resources are optimised and that assistance given to companies is appropriate. That network includes both State and Federal Government agencies as part of AusIndustry, to which I referred earlier. However, I think it also needs to be put into context.

The inquiry rate at the Business Centre during the first three to four months of this year increased by 44 per cent. Inquiries at the Centre for Manufacturing increased by about the same proportion. From the start of this calendar year in January we have had this increased inquiry rate with people saying, 'How can you help us; what programs can you put in place?' I think telephone inquiries at the Business Centre increased by 33 per cent and the overall inquiry rate by 44 per cent, and Bob Munsberg of the Centre for Manufacturing indicates an increase of the same order. However, we have not, to a great extent, expanded our human resources to cope with this massive increase. The increase is encouraging, and we are attempting to manage it in a strategic and targeted way, but at the end of the day this will mean that not everyone will be assisted.

**The Hon. M.D. RANN:** Because of the background of Gerard Industries and its problems in the 1980s, I am particularly concerned that the public dollar is secure in terms of investment. I think the Minister would be the first to agree that the role of Government through its economic development policy—and this is certainly the view of the Centre for Manufacturing—should be to offer a hand up rather than a hand-out. It concerns me that, over the years, Gerard Industries may have developed a bit of a hand-out mentality. We must be assured that we are investing the taxpayer's money on a secure basis. Bob Gerard is the Chairman of the South Australian Employers' Chamber of Commerce and Industry, a prominent member of the Liberal Party—indeed, I think he has been President—and also a member of the Economic Development Advisory Board. Was the decision to assist Gerard Industries considered at a meeting of the Economic Development Advisory Board and, if so, did Mr Gerard absent himself from that meeting? I am sure that he did, but for the public record it needs to be said as it has not been said before.

**The Hon. J.W. Olsen:** Projects of this nature do not go before the Economic Development Advisory Board for sanction or overview. If an incentive package is put together for a particular industry or company, it is processed by the Economic Development Authority. It is then submitted to the bipartisan Industries Development Committee for assessment. That is the process that occurred in this instance. The package for Gerard Industries is conservative; it does not extend any further than that which the former Government gave to Gerard Industries for its location at Murray Bridge. In this instance, the normal processes were followed: the matter went to the IDC. Cabinet did not approve the support package

for Gerard Industries until such time as it had the bipartisan support of the IDC. It was subsequently approved by Cabinet and the announcement was duly made.

**The Hon. M.D. RANN:** Is the Minister prepared to show me on a confidential basis the content of the agreement with Gerard Industries, the value of the subsidy per job that is involved and, in particular, the conditions that are attached to the assistance regarding maintenance of employment levels, commitments to work force training and continued production as opposed to simply looking forward to appreciation of the capital value of the land? If that information could be made available to me on a confidential basis, I think it would certainly help to assure the Opposition that due diligence has been undertaken in terms of the security of the taxpayer's dollar.

Did the assistance to Gerard Industries include conditions requiring changes in internal management? I ask that question because the Minister would be aware that in 1991 concern increased in anticipation of substantial losses in the financial year. Indeed, it was revealed in Parliament that one of the creditors, Citibank, demanded the removal of Bob Gerard as Managing Director. I understand that Citibank subsequently withdrew and was replaced by Westpac, which required the creation of new positions of financial controller and marketing and sales manager to be filled from outside the organisation.

**The Hon. J.W. Olsen:** I am more than happy to show the Leader those details on a confidential basis, because all those details have already been displayed to the IDC, and the Leader's own members have seen them and have been able to make a judgment on them. So I am more than happy for the Leader to have access to that documentation on a confidential basis. The second part of the question related to the financial restructuring of Gerard Industries that occurred several years ago.

**The Hon. M.D. RANN:** And are there any conditions in that assistance that would require changes in internal management because of previous concerns?

**The Hon. J.W. Olsen:** No.

**The Hon. M.D. RANN:** I note that page 235 of the Program Estimates, in relation to the EDA, indicates the establishment of effective and efficient relationships with external bodies such as the South Australian Centre for Economic Studies. The centre's director, Cliff Walsh, who is a friend of us all, I understand is currently employed as an adviser to the Premier on some kind of part-time arrangement and is a former adviser to Malcolm Fraser. During my time as Minister, the EDA employed Mr Walsh and the Centre for Economic Studies, and I am certainly not complaining about that at all. Because Mr Walsh was one of the Audit Commissioners and as his recent comments as director of the centre warmly approved the Government's response to the Audit Commission, it seems to be a tight circle of friendship. Will the Minister provide details on current levels of support provided to the centre and outline the projects currently being worked on by the centre for the EDA?

**The Hon. J.W. Olsen:** As the Leader would know, the contract for consultancy that was let for the South Australian Centre for Economic Studies and is continuing at this date was signed and put in place by the Leader as Minister. In relation to that consultancy and contract, the components of the contract are as follows: the contract was for \$100 000 for research and consultancy work; for 1993-94 the amount was \$15 000 and \$10 000 thereafter for the centre to continue refining competitiveness indicators and to provide regular

reports on South Australia's competitiveness. That matter came out of the Arthur D. Little report, which was important benchmarking.

A further amount of \$15 000 for 1993-94 and \$10 000 thereafter was allocated to produce an economic profile for South Australia; and, \$20 000 for the centre to undertake specific public sector performance benchmarking projects. The centre has been designated as a preferred supplier to undertake economic analysis for the EDA as required. The annual budget of \$50 000 was allocated for this purpose in 1993-94 and \$60 000 thereafter. The amount of expenditure by the EDA is dependent on the needs of the authority during the financial year and the centre's being competitive and timely in its response in cost and experience.

The base grant of \$100 000 was expended during 1993-94 to upgrade the capabilities of the centre, including an updating of the input/output tables for South Australia and the development of a general equilibrium economic model, which will be used to measure the impact of Hilmer competition policy on the State (that is very important at the moment, given our negotiations through COAG and the Federal Government); and \$30 000 was expended on the preparation of a set of competitive indicators for South Australia and to produce an economic profile of the State. The first stage of these projects will be completed early in 1994-95, the current financial year. Funds allocated for public sector performance benchmarking projects have been rolled over into the 1994-95 financial year. The \$50 000 allocated on a project basis was fully committed. Projects undertaken include potential impact of the proposed national electricity grid; the economic impact of defence-related activity on the South Australian economy; a review of State taxes and charges; and an economic profile of the South Australian plastics industry.

**The Hon. M.D. RANN:** I do not have any argument with the use by the Government of the Centre for Economic Studies, but I am concerned that it is vitally important that the EDA gets independent advice. We have a situation where Cliff Walsh is advising Treasury, the Premier and the EDA; he is also an Audit Commissioner making recommendations to the Cabinet; and later he endorsed what the Government has done. Of course, he is also a former senior adviser to the Liberal Party. It seems to be a little bit of a closed shop. Some people are saying that Cliff Walsh needs a bit of competition.

**The Hon. J.W. Olsen:** Cliff Walsh has some competition. With respect to the airport study, KPMG and AIDC are the consultants working with the South Australian Government in that regard. The wine industry study, as the Leader knows, went to a New South Wales based consultancy. To respond to the Leader's challenge, Cliff Walsh has some healthy competition.

**The Hon. M.D. RANN:** In the spirit of Hilmer, I think he needs a bit more to ensure that it appears that he is really independent.

**Mr EVANS:** I refer to page 235 of the Program Estimates. Why does the Centre for Manufacturing have programs of assistance dedicated to the relatively small industries of tooling and foundry?

**The Hon. J.W. Olsen:** Manufacturing is the largest wealth generating sector of the South Australian economy, contributing about 18 per cent of GSP. The next three largest—agriculture, mining and tourism combined—contribute another 18 per cent. However, manufacturing rests on a base of infrastructure industries which, in terms of conventional measures of output and employment, are relatively small but which, in terms of their value to the



State's manufacturing capability, are fundamental. They are key components of our manufacturing industry. Tooling, for example, incorporates the entire process engineering function, which is a vital link between product design, factory production and the manufacturing chain. Foundries are the interface between those utilities. They take mineral deposits and cast them into shapes, to which value is added by down-stream industries to create products, thus the effectiveness of South Australian manufacturing industries and the effectiveness of the South Australian Centre for Manufacturing depends on getting the infrastructure industries right.

To that extent, in the foundry area we are attempting to establish a 'foundry park', to give the capacity for foundries to co-locate to the one area so that we can amortise the cost of operating across the park, thereby reducing the operating costs of the individual foundries and to assist them to become internationally competitive. I would hope that, with a range of industry groups (the foundry is but one on which we are working at the moment), we can relocate them out of their current locations to a site more appropriate for, say, a foundry. The idea is to take them out of some of the residential areas in which they are currently located and which cause noise pollution and other problems that place constraints on their operation and do not allow them to operate at maximum efficiency, capability and productivity. The idea is to enhance them by shifting them out. You also release some of that land, in what would be termed a residential or light commercial area, back to a more appropriate mode of use.

It might well be that we will be able to free up capital currently invested in land and buildings and, through a lease-back arrangement, that capital can be put into more modern equipment within the facility, once again to ensure that it can compete internationally, which then assists the whole chain of manufacturing industry in the State. They are all components of the manufacturing chain, which gets our products into the national and international markets, whether it be the washing machines from Kelvinator or the Mitsubishi Verada wagon accessing these international markets. Each one of these components of manufacturing—and they are using world's best practice, they are internationally competitive and they are operating at world-class efficiency rates—is absolutely vital to our getting our products onto the international markets.

**Mr EVANS:** Coming from a trade background, I am particularly interested in what has been spent and, more importantly, what has been achieved at the company level through the tooling program.

**The Hon. J.W. Olsen:** In 1993-94, \$751 000 has been spent or committed in a number of categories: investment in continuity of work, \$281 000; investment in equipment, \$304 000; and investment in skills, \$166 000. As a result of that, companies within the industry have spent, in total, more than \$7.5 million on plant and equipment; 21 per cent of the companies have put in place a balanced plan of improvement; 15 percent have embarked on quality certification to international standards; and 23 per cent have involved themselves in productive networks. They are also participating in a new skills formation program in conjunction with the Centre for Manufacturing and the engineering industry group apprenticeship scheme. So real achievements are being made as a result of what one would describe as seed money—support money—and targeting, focusing and directing money.

**Mr EVANS:** What are the major constraints on the performance of the State's infrastructure industries and how

is the South Australian Centre for Manufacturing addressing these?

**The Hon. J.W. Olsen:** Like all manufacturing companies, these industries need to undertake improvement programs at the enterprise level, both in the case of tool makers and foundries. It would be possible for the various companies to move up to the top of the improvement curve yet still be unable to make the necessary contribution to the State's manufacturing capability. In the case of tooling, technological development and a change in the way tooling business is being conducted around the world has created a demand for management and capital resources that are beyond the capabilities of many small tooling companies.

The centre has developed a program to redress those deficiencies by leveraging up the resources of individual companies through networking, and it is also developing a proposal to establish a marketing program management entity to act as an umbrella for some 40 tool and die companies. This initiative is likely to be embraced at a national level and it is possible that SACFM will become the manager of a national program. I think that point needs stressing: the performance of the Centre for Manufacturing—and I know that I referred to this earlier—over a number of years has developed a national and international reputation. It is an initiative of which this State can be very proud.

In the case of foundries, there is a fundamental constraint on investment planning by virtue of location, the uncertainty of location and some of the difficulties in relation to the location of foundries. Over time, foundries have been overtaken by urban sprawl and now attract the hostility of residents and councils. It is the old story: you establish a facility, residents move in and they then set about moving out the industry.

**The Hon. M.D. RANN:** It is the same with airports.

**The Hon. J.W. Olsen:** It is the NIMBY syndrome. We all need them, but no-one wants them in their backyard, and that creates a problem.

*The Hon. Frank Blevins interjecting:*

**The Hon. J.W. Olsen:** We are still working on projects for Whyalla; have no fear. This Government is clearly focused on regional economic development.

*The Hon. Frank Blevins interjecting:*

**The Hon. J.W. Olsen:** Have no fear. Of course, with the Environment Protection Agency's bringing in a range of requirements, the impact on some of these industries and simply the capacity to survive is being affected. The past failure to plan for infrastructure industries is being redressed by a proposal to establish a cast metals precinct—the foundry group that I mentioned just a moment ago. We are looking at a couple of zones where we can locate a foundry or a cast metals precinct that would have the benefit of achieving those points I raised earlier.

SACFM is currently undertaking a study in conjunction with the Centre for Economic Studies to place a value on the State's foundry industry. This will be weighed against the projected costs of establishing the precinct. I hope that a detailed proposal will be considered by Cabinet within the next few months, certainly before the end of this year.

South Australia's share of the national foundry output has risen from 20 per cent to 35 per cent over the past five years. The other States are still not evidencing any planning that recognises the fundamental role of foundries in their economy, in manufacturing industries, in export potential and in job maintenance. With the planned approach of the cast metals precinct, South Australia should continue to increase

its share of foundry activity at the expense of the other States. That is certainly what we would be seeking to obtain.

I think that there are some real opportunities in this area. I mentioned earlier the electronics industry and developing a strategic plan for that industry group. Here is another component of industry in South Australia where we are trying to develop a strategic plan for the future.

**The Hon. M.D. RANN:** In relation to the foundry tooling program, I want to congratulate the Government on continuing the program which I announced and to which I allocated \$1 million late last year. That involved a comprehensive strategy with a tripartite steering committee. It is very important that this program should get bipartisan support and it certainly will from me and the Opposition.

Also in relation to the Centre for Manufacturing, you mentioned its international reputation. That is certainly true. Indeed, I know that John Button, when he was Federal Minister for Industry, Technology and Commerce, was looking at establishing a national Centre for Manufacturing that would be ours. Certainly, all the other State Ministers to whom I have spoken have said that one of the things they had to do when they came to South Australia was to visit the South Australian Centre for Manufacturing. It is a great credit to Mr Cambridge and Mr Munsberg. Long may its very productive role continue.

I am a bit confused on the question of EDA and EDAB, and I am sure that the Minister will straighten me out. The Economic Development Advisory Board is to be directed by a new executive—not just the board—to be located in the Premier's own department, close to the Premier. At the same time, the EDA's CEO, as opposed to the Economic Development Advisory Board, reports to you directly. According to the Liberal policy documents released before the last election, the EDA was originally to have no policy research role if a Brown Government were elected. That is clearly not the case, because the policy research role is mentioned in the estimates.

I am concerned that there is a structural problem here that could lead to rivalry or conflict between the EDAB, which will have its own executive officer, and the EDA, which has Mr Cambridge, who does a darn good job. Why the need for this separation of powers and why the need for a separate executive? I hope it is not an in-built conflict in terms of making announcements.

**The Hon. J.W. Olsen:** I note that the Premier was asked a question in relation to the Economic Development Advisory Board when he appeared before the Committee. The position with the EDAB and its relationship to the EDA is this: the EDAB reports directly to the Premier. The Premier and I are *ex officio* members of the EDAB. The EDAB's task is to develop and give advice to the Government in terms of policy strategic development in the longer term. The EDA is a hands-on operating agency that interacts with companies. It is the focus for contact for companies wanting to establish, build and operate in South Australia. By its track record, it is a very good hands-on operating agency. It is clearly focused; its target is specific; and its goals and objectives are clear and defined. With a full complement of staff now developing in the EDA, it is more than meeting its objectives. An outstanding record!

The EDAB is putting in place an Executive Director and that will assist the EDAB in its policy formulation work. One of the areas in which the EDAB was involved and which made a submission to Cabinet that was subsequently released was in relation to the Industry Commission's wine industry study. The EDAB had input into the South Australian

Government's representation to the Industry Commission study into the wine industry. That is but one example of involvement. The EDAB is able to access the whole of Government planning responsibilities, whereas the EDA is clear and concise in its focus.

**The Hon. M.D. RANN:** The EDA has John Cambridge as the Executive Officer; the EDAB has a new Executive Officer. I can understand the need for an advisory board of people brought in from the community—business leaders and so on—to look at the general thrust of the State's direction in terms of economic development. What I cannot understand is why we need a second tier of bureaucracy in terms of an executive underneath it. We all remember the days in the Tonkin Government when Matt Tiddy was in the Premier's Department and he was the Director-General in charge of economic development and down the road there was another department (which was the predecessor of the EDA) with a separate Director-General. There is this in-built problem for squabbling. I want to know who is the boss? Is it John Cambridge or this other person who is about to be appointed?

**The Hon. J.W. Olsen:** There is no doubt about the Government: the Premier is the boss. It is clear that the Premier is the boss. The Ministers then implement a range of policy initiatives. The EDAB works in policy development for the Premier, and the Premier and I are *ex officio* members. I have attended meetings of the EDAB and therefore understand the clear policy development work that it is undertaking. But there is no doubt, when it is hands on, when it is operational, that John Cambridge is the operator on behalf of this ministry to deliver economic development to South Australia. One is long-term and one is immediate.

**The Hon. M.D. RANN:** I am pleased that John Cambridge will be directing things. I am pleased that you believe there will not be the duplication that occurred under the Tonkin Government in terms of the role of individuals and their organisations. What research resource currently resides in the EDA? It should be recalled that at the time of the reorganisation there was to be no research capability at all within the EDA. That obviously would give the South Australian Centre for Economic Studies and my friend Cliff Walsh a most advantageous position. It appears likely, in line with the tendency of bureaucracies, that a research unit is being built up. Is that so? What databases are being developed?

**The Hon. J.W. Olsen:** In relation to research, the Business Policy Group is proposed to be a unit of 12 full-time equivalents. The actual 1993-94 complement was three full-time equivalents, but we are proposing to upgrade that policy unit to 12 full-time equivalents. I will ask the CEO to respond as to the development of the programs.

**Mr Cambridge:** The Business Policy Group is the small part of the EDA that has an economic research and industry policy function. It has quite capable people but does not have the spread of resources within that small group, and consequently we are building on the Centre for Economic Studies' contract that was let last year to pull in specific expertise where we need it for specific industry studies. The research element is small. It is within the Business Policy Group of the EDA headed by the General Manager, Mr Peter Lockett, who was appointed about 2½ months ago.

**The Hon. M.D. RANN:** When you assumed office, Minister, you made clear that the EDA was to cease having any significant policy and research role and you said that this was to go to the Premier's area, but the Program Estimates states:

The EDA contributes to the policy determinations of the Government and its agencies in relation to economic development by providing advice and information.

I think Mr Cambridge's response has clarified that for me.

**The Hon. J.W. Olsen:** I would like to clarify the point, seeing that the honourable member referred to comments I made earlier. An agency such as the EDA cannot act and make presentations to bodies such as IDC without some background research and policy input, and therefore that has to be done in-house. The principal, long-term policy strategic planning component of the Government is EDAB, which is attached to the Premier and of which I am an *ex officio* member.

**Mr KERIN:** The manufacturing modernisation program plays an important role in keeping South Australian manufacturers efficient and competitive. How does the South Australian Centre for Manufacturing gauge the effectiveness of the assistance provided under the manufacturing modernisation program to South Australian industry?

**The Hon. J.W. Olsen:** It has established a sophisticated system of gathering information to evaluate its performance. In fact, based on advice from the Department for Finance and NIES in Canberra, South Australia is the most advanced in measuring the outcomes of assistance at the enterprise level in Australia. I know from when I was in Canberra for a couple of years in Senate Estimates Committees that, in terms of the reports that were presented by the respective agencies around the State, South Australia was way out in front.

Although it is too early to gather all financial results from the businesses associated with the centre as not all firms have completed their financial statements for the year ended 30 June, the general thrust of the collation of information to date would indicate that they have increased their sales by 15 per cent, increased the number of employees by 12 per cent, increased their turnover per employee by 23 per cent and increased their average capacity utilisation from 63 per cent to 72.2 per cent.

**Mr KERIN:** The South Australian economy has for many years benefited greatly from the presence of the major car manufacturers and the industries created to service and supply these companies. How will the manufacture of Holden's next Commodore to be released in 1997 benefit this State's automotive component manufacturers?

**The Hon. J.W. Olsen:** The VT Commodore, which is on the drawing boards as an entirely new vehicle and which uses technology new to Australia, has provided the opportunity for South Australian component manufacturers to expand their product range, increase employment and keep up with international trends in technology. I cite examples of the use of the most up-to-date technology. Exacto Plastics will manufacture a blow moulded fuel tank; Aldersons will manufacture a polyurethane headlining and use a water jet cutter to trim the part; Lear Corporation of the United States will supply fully trimmed seats; Walker (Australia) has won the exhaust system from a Victorian supplier; Air International will manufacture the air-conditioner and heater units at Golden Grove here in South Australia; and ROH will supply both steel and alloy wheels.

**Mr KERIN:** Still dealing with the importance of the car manufacturing industry to South Australia, has the Federal Government's export facilitation scheme assisted the automotive industry in South Australia?

**The Hon. J.W. Olsen:** It encourages vehicle and component manufacturers to export vehicles and components in return for duty free imports and has provided a boost. In the

calendar year 1993, two automotive manufacturers exported \$381 million in vehicles and components, while the major 20 component manufacturers exported a further \$106 million. That covers companies such as ROH, Britax, Munro, Castalloy, Bridgestones and Mullins Wheels.

**Mr CLARKE:** I thank the Minister actually for broadening my vocabulary with such clichés as 'ramp up', 'leveraged up' and 'hands on'. I will, no doubt, seek to use them over time. What were the commercial considerations that led the Government to dump Telecom as its long distance provider and award this business to Optus; what is the annual value of the deal; and will the Minister provide copies of the Optus offer and the Government's acceptance?

**The Hon. J.W. Olsen:** In ordinary circumstances, I would be delighted to answer the question, as I was a member of the subcommittee that considered that determination, but it really comes within the portfolio responsibility of the Deputy Premier and is not covered by a line under examination before this Committee.

**Mr CLARKE:** Given the Minister's answer, that he was on the Government subcommittee, is he aware whether this matter was discussed with Mr Ian Webber, who, as the Minister knows, is on the board of Optus and Chairman of the Economic Development Advisory Board?

**The Hon. J.W. Olsen:** Not to my knowledge.

**The CHAIRMAN:** The honourable member will be aware that in pursuing a question on a line outside the Minister's scope the Minister's answer is purely an observation rather than a subjective response. The honourable member was advised.

**Mr CLARKE:** Yes, I appreciate that, Mr Chairman. In the Minister's deliberations as a member of that subcommittee, was he aware of the number of—and, if so, how many—jobs that Telecom provides South Australians, and in particular rural South Australia; and how many jobs will Optus provide for South Australians as a result of this deal that the Government has done?

**The CHAIRMAN:** I am still not sure that this is covered in the Minister's line.

**The Hon. J.W. Olsen:** I do not have detailed information because, as you would expect, I did not prepare for that because it is not a matter that I would have expected to be questioned about before the Committee. However, on Sunday evening, at the Small Business Awards, Des Scholz, the Chairman's representative in South Australia and the Northern Territory advised me that Telecom is proposing to expand the numbers in country areas of South Australia. He just happened to mention Kadina, Mr Chairman, and said that it will be expanding the number of people located there. Kadina, in the past, was downgraded and they shifted most of the people to Whyalla. I am sure there will be some balancing out in the designation of Telecom functions through country areas. Of course, the Government is negotiating with Telecom in relation to a range of other industry development opportunities in South Australia.

**The CHAIRMAN:** I suggest that the Deputy Leader pursue that matter through questions on notice or questions in the House if he feels that he has not received an adequate answer.

**Mr ASHENDEN:** As a previous executive in the motor vehicle industry, I am interested in continuing the line of questioning that was started by my colleague the member for Frome. What role has the South Australia Government played in assisting the automotive industry of South Australia to compete on a global basis?

**The Hon. J.W. Olsen:** The Government, in partnership with the University of South Australia and Mitsubishi, has established the Australian Centre for Automotive Management, whose primary research objective is to identify management techniques which promote international competitiveness in the Australian automotive industry. The principal focus is on management issues involved in implementing world's best practice in the Australian manufacturing environment. ACAM's educational focus is on the effective transfer of knowledge to people at all levels of industry. SACFM has established linkages with international institutions and organisations and has an ongoing program of visiting experts who transfer technology in their specific fields to companies and the consulting fraternity. The South Australian Centre is in a unique position to transfer the technology from the automotive industry to other industry sectors.

**Mr ASHENDEN:** Now, for another area in which I have a very real interest. The South Australian wine industry has projected enormous increases in wine exports by the year 2000. Will the Minister advise whether the industry is on target to achieve those goals?

**The Hon. J.W. Olsen:** The wine industry is an important part of this State's economy. It contributed about \$340 million to exports in 1993, and it is targeting \$1 billion by the year 2000. That will be a big task, because South Africa is aggressively coming into the international wine scene. If South Australia is to maintain its pre-eminent place, not only in Australia but internationally, it will need a strategic plan to ensure that it maintains that position. To assist the industry to achieve that \$1 billion target by the year 2000, the Government, through the Economic Development Authority, commissioned a major study to address all the issues facing the wine industry, particularly South Australia.

The report represents a blueprint for action and outlines the critical success factors for the industry to reach its targets. At enterprise level, the Government, through the South Australian Centre for Manufacturing, is working with in excess of a dozen wineries, including the major players, to address costs of production, quality issues and staff training to ensure that we get world best practice and become internationally competitive in view of the stiff competition coming from South Africa and to a lesser extent from South America.

**Mr ASHENDEN:** As both my family and my wife's family are from the country, I am concerned that regional centres around South Australia are declining because of poor farm returns and shrinking employment opportunities. What is the Government doing to promote regional development in South Australia?

**The Hon. J.W. Olsen:** We have undertaken a substantial restructuring and upgrading of the Regional Economic Development Unit within the Economic Development Authority. We have appointed a general manager of the Regional Economic Development Unit, and five other positions are being filled. The purpose is to have greater interaction with regional economic development boards, whether they be Whyalla, Port Pirie or the Riverland, to develop a coordinated approach for economic development and to give greater assistance to facilitate applications from those regional economic development boards through to the Federal Government.

Deputy Prime Minister Howe has indicated there will be substantial funding for regional economic development boards in infrastructure, training and individual projects. We

are looking at the identification of projects and putting them in priority for submission to the Federal Government. When we put those in place, hopefully we will have a greater input to economic development from the regions. If we are to reach that 4 per cent, we must have the whole of South Australia contributing to it; it cannot be just the metropolitan area. We want to empower the regions by giving them support through those boards and accessing Federal Government funds so that they can do some of the things that they need to do to generate the opportunities that are available.

**Mr CLARKE:** I wish to pursue the line of questioning that I raised with the Minister regarding Optus. He has explained in part the budget line. This session is about economic development and the Economic Development Advisory Board. I am concerned about the decision-making processes of Government in that Mr Webber, against whom I am making no allegations, is a board member of Optus and Chair of the Economic Development Advisory Board. That is the reason for my raising this matter, and the fact that this budget line deals with the economic development of South Australia.

**The Hon. J.W. Olsen:** The EDAB, its composition and the Chairman are in the Premier's line, not mine. Economic development is my area of responsibility through the EDA. Any negotiations that have been undertaken with the companies to date have been conducted at officer to company level in the development of any proposals which are subsequently submitted to the Government for consideration.

**Mr CLARKE:** As a supplementary, did the EDA provide any advice to you or to the Government with respect to the decision to junk Telecom and take Optus; and, if so, what was it?

**The Hon. J.W. Olsen:** Yes, advice was given to me as Minister, and that was written advice from the agency.

**Mr CLARKE:** What was that advice?

**The Hon. J.W. Olsen:** Are we on the Telecom/Optus long-distance call bit or are we on the second phase of IT&T?

**Mr CLARKE:** The question relates to the advice that the EDA provided to you with respect to the decision to give the Government's long-distance calls to Optus as against Telecom.

**The Hon. J.W. Olsen:** A subcommittee of Cabinet, comprising the Premier, Deputy Premier and me, considered this matter. The Economic Development Authority, through the Chief Executive Officer, was represented at those discussions and presented some verbal advice, which was consistent with the written advice that the CEO had given to me. That was put on the table during our determination phase.

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

**Mr CLARKE:** The EDA provided the Minister with advice regarding the Government's decision to award its long distance telephone calls to Optus instead of Telecom. Did that advice support the Government's financial decision to hand over the business to Optus, or did it favour the retention of Telecom?

**The Hon. J.W. Olsen:** The advice from the Economic Development Authority was totally consistent with the determination of the Government.

**Mr CLARKE:** The Opposition has concerns about the Australis deal similar to those that the Leader of my Party has expressed about Motorola. If analysis and disclosure of the facts reveal that these deals are sound, the Opposition will be the first to congratulate the Government. It is disclosure of

the facts that we are after. I note the claim that the Australis deal is worth \$200 million in South Australia. I understand that the deal is for a customer service centre to be located at Technology Park and that the Australis head office and main operations are to be located in Sydney. I understand that an estimated 700 jobs will be created by 1999. My question concerns the sorts of jobs to be created. Is it not a fact that the operations will largely be data processing and telemarketing and that most staff will be casual with fewer entitlements than permanent employees? What proportion of Australis's work force will be permanent and what proportion will be full-time?

**The Hon. J.W. Olsen:** I cannot answer the latter question, and I would not think that the Committee would expect me to be able to. However, Australis has already employed some 90 people on-site at Technology Park. I am sure that Australis would join me in issuing an invitation to the Deputy Leader to visit the new centre. I would like the Opposition to have a look at this new centre. The building commenced Monday fortnight ago, and I visited it on the Thursday of that week. By that stage, they were laying the floor on the first level. As the honourable member identified, principally it will involve telemarketing. It is expected that employment will grow to 1 250 jobs by the year 2003; that is the projected growth factor in the number of jobs. The Government assistance means that a range of jobs, up to 1 200 over the next 10 years, will be available to people in the north western suburbs.

**Mr CLARKE:** The Minister's ministerial statement of 10 May claims that 'the training package for the planned 700 staff' was a key ingredient of the company's decision to locate its data processing and telemarketing functions here. What is the content and extent of this training package?

**The Hon. J.W. Olsen:** We gave a commitment that we would assist with the training of a set number of positions so that those people could develop the skills levels to meet the requirements of the job specification. That was a key component of winning Australis. I can get some further detail for the Deputy Leader on that matter. The training subsidy is payable after the training period has been completed. We will assist in the training and development of the skills of up to 700 people so that they can meet the job specification.

**Mr CLARKE:** The Premier has said much about the smart city concept. What has the Government done to gain real returns from this project? Is there not a danger that the deal will not have significant technology development spin-offs beyond plain old pay television?

**The Hon. J.W. Olsen:** I do not support that proposition at all. We are in the early stages of the establishment of Australis. In recent times three contracts it has let have been to small and medium South Australian business enterprises, and no incentive package was provided to them. One of the benefits of getting a company such as Australis established with an incentive package is that it will then subcontract to a range of other suppliers without an incentive package. Consequently we get job generation schemes. For example, Adelaide National Furniture Industries will produce all the office accommodation screens for Adelaide, Melbourne and Sydney.

In addition, Moreland Direct Marketing on Glen Osmond Road has won the contract to do the marketing for Australis here and interstate. In addition, an announcement will be made in the next day or so in relation to Australian Broadcasting Systems—and that is a company of less than six people—which has won the contract to provide a range of other equipment to Australis. A South Australian manufactur-

er is one of two who are currently bidding for a multi-million dollar equipment provision with Australis. One would hope that that contract will be determined within the course of the next week.

The spin-offs from Australis are significant. There are economic, manufacturing and job generation spin-offs, and small to medium business are the beneficiaries. There has been no support from the Government and no incentive package in respect of the generation of work for National Furniture, Moreland Direct Marketing and ABS, but there are direct flow-on benefits to the economy.

**The Hon. FRANK BLEVINS:** Before the election, the Minister said that each major policy development would require a regional impact statement. Some of the areas cited include transport, education, health, and so on. I cannot remember saying so at the time but, on mature reflection, I think it is an excellent idea. What has happened to this policy; have regional impact statements been done already regarding some of the significant announcements that we have heard; and, if so, can we look at them, particularly in respect of the question of the Moomba to Botany pipeline, because my understanding is that that will create about 12 permanent jobs at Moomba. That is fine, I am not knocking that, but it may have some further flow-on effects as well. Have regional impact statements begun, and was one done on the gas pipeline?

**The Hon. J.W. Olsen:** Documentation has been prepared on the impact of the pipeline not only in terms of the jobs at Moomba which will be created but the significant beneficial effect of the letting of contracts for the pipeline. The Port Pirie Regional Economic Development Board was very much to the forefront, and through the Economic Development Authority we facilitated out of Port Pirie the process of accessing the contract for the purpose of bidding. At the request of the Port Pirie Regional Economic Development Board, we ensured that the tendering system would cater for it, so that it would have the capacity and ability to tender. We have received an acknowledgment from that board for our efforts in that regard. So, yes, a position was prepared within the EDA in that regard.

As regards other Government areas, consideration was given to the future of the Port Lincoln prison. In the end, the Government determined that that prison should continue to operate on a restructured basis. The Economic Development Authority, as a key agency of the Government, has access to a range of Cabinet submissions to which it must respond regarding the development of those submissions prior to Cabinet making a determination. As the honourable member would understand, as these documents form part of a Cabinet submission, it is inappropriate for me to offer them about. However, I will have a look and, if there is a file in relation to the Moomba project which is not part of the Cabinet submission, I am happy to make it available.

**The Hon. FRANK BLEVINS:** The policy specifically requires the preparation of a regional impact statement. Are these regional impact statements not quite as specific as that? It may be that they are a loose accumulation of knowledge taken from whoever passes the Minister's door, or is there a formal document?

**The Hon. J.W. Olsen:** I should link this with my earlier remarks when I talked about the regional economic development structure within the EDA—a new general manager, five new positions, an upgraded role and interaction with the regional development boards. The EDA makes a submission on Cabinet proposals. In that submission, the EDA puts

forward its view on a range of measures concerning economic development. Regional economic development is a key component of the EDA, and it has been structured as such.

**The Hon. FRANK BLEVINS:** But it is not the same as some of the impact statements which, under the Tonkin Government, used to be a formal part of the Cabinet submission?

**The Hon. J.W. Olsen:** No.

**The Hon. FRANK BLEVINS:** I am disappointed. In this extensive document on regional development a promise was made that an affirmative plan would be initiated for regions on public sector investment. Does the Minister recall such a promise being made?

**The Hon. J.W. Olsen:** Yes, I do.

**The Hon. FRANK BLEVINS:** The Minister would no doubt remember the promise to initiate an affirmative plan for regions on public sector investment. Has such a plan been developed or is it in the process of being developed?

**The Hon. J.W. Olsen:** Many matters on my plate have a priority, and we are working our way through them. Suffice to say there is a positive action plan in the respect that we have halted the drift which the former Government put in place in rural areas. So, that is positive in the first instance. Studies are being undertaken by Government related to the provision of public sector support services in country areas, whether they be the EWS, road transport or health services.

**The Hon. FRANK BLEVINS:** That is a bit ominous.

**The Hon. J.W. Olsen:** No, it is not ominous. That statement ought not to be interpreted that there is a plan to make substantial reductions and changes, as we have seen in the past. In fact, it is quite the contrary. The current Government takes the view that Government services in country areas are a key, important, integral part of those communities and that a base needs to be maintained within those country communities by Government agencies. Witness rhetoric versus action: there were proposals to close the Port Lincoln prison. I draw the honourable member's attention to the fact that that prison has not closed. There has been a restructuring and a refocussing, but that prison is continuing. There has been employment in that community of correctional services staff, and the impetus that that has given to the economy has been maintained in Port Lincoln.

Prisons are not my area of responsibility, but my understanding is that the number of inmates at the Port Lincoln institution has been increased. As a result, the cost of operating the prison per prisoner is better. This has reduced substantially the cost of operating the prison, and this has meant the survival of that institution at its location in Port Lincoln. I draw the attention of the Committee to the fact that the Mount Gambier institution has been substantially increased in size—a very positive action in terms of regional economic development, I would have thought. An institution such as this, situated in a small local community, with the generation of wages and other spin-offs and purchasing power, is an important component of a small regional community.

**Mr CLARKE:** The technology that is being used by Australis must surely be of concern to the Government. It is dated microwave linked technology that is certain to be overtaken by optic fibre and direct satellite technology in the near future. Australis's technology has nothing to do with the broad banded information super highways of the future. How does the Government intend to overcome this problem and to avoid significant concessions and public investments being

locked into yesterday's technology which will be uncompetitive tomorrow?

**The Hon. J.W. Olsen:** The fact is that Australis does have new technology in its forward plans. Here we have a company that is ahead of the pack in Australia to put in place in Australia pay TV. It was going to locate its facilities somewhere in Australia. We determined that it would be beneficial to locate them in Adelaide and I would hope that the Deputy Leader would understand that the possibility of 1 250 jobs is an important impetus to the economy of South Australia. In so doing, it has been attracted to South Australia to the benefit of this economy. I have responded previously about Motorola and Australis and I would hate to become repetitive.

**Mr CLARKE:** Will the Minister provide details of the incentive package given to Australis to prove that the deal is in the public interest, will he disclose the calculation of net cost and benefit that must have been undertaken, and will he tell us what is the cost per job created and the impact on Government revenue?

**The Hon. J.W. Olsen:** To the Deputy Leader, I say that, as with Motorola, all the details for which he has asked have been presented before the IDC. His parliamentary colleagues who sit on the IDC have had access to all this information. What I consider are the principles for support for a project such as that having been completed, and its having been presented to the committee and endorsed by the committee and subsequently Cabinet—in other words, all procedures have been undertaken—I can only say that, if the Deputy Leader wishes to have a personal, confidential briefing, I will arrange it.

**Mr CLARKE:** That certainly will be accepted by the Leader. Is the Minister aware of the statement of his fellow Tory colleague, Phil Gude—

**The ACTING CHAIRMAN:** Order! Questions related to the performance of other Ministers in other constitutions have no relevance in this Committee. We are examining the vote for the Minister responsible for the Economic Development Authority.

**Mr CLARKE:** This is only by way of explanation.

**The ACTING CHAIRMAN:** It does not need to reflect on any other member of any other Parliament in the Commonwealth of Australia and I ask the honourable member to desist from so doing. It is not only improper to reflect on members in another place but also it is improper to reflect on other Parliaments.

**Mr CLARKE:** I only said 'fellow Tory'. I can understand the Minister not wanting to be tagged. I will quote the Minister from Victoria as part of my explanation, as follows:

We are not going to be involved in competing at the level of the ludicrous extravagance of South Australia. If you take the Australis bid as an example, when they came to us and told us what South Australia had offered, in the end we said, 'Go there, because you won't find any area State offering that'.

That statement was made in the *Business Review* of 13 June 1994. Will the Minister table details of the package with Australis and provide the briefing?

**The Hon. J.W. Olsen:** I have already answered the latter two parts of the question. In relation to the Minister interstate making comments such as that, in my earlier remarks today I said that I can understand how a Minister who has been beaten on a major project would go out to his constituency and say, 'They're offering too much money', having lost the deal. He has to have some justification for losing the deal. I would not take too much notice of that. I noted that Premier

Goss made similar comments. However, recently Premier Goss offered some incentives for a warehouse operation in Queensland that had no value-adding component to it at all.

My point is that every State is in the business of attracting key and targeted industries and, if you are not in it, you simply will be left in the slipstream. That is the reality of the situation. We in South Australia are intent on picking our mark, targeting where incentive packages ought to be, building up the critical mass in industries that we think are important to South Australia, and trying to meet the overall Government objectives of investment, growth, export market and value adding.

**The Hon. M.D. RANN:** Win, win.

**The Hon. J.W. Olsen:** They are win, win. It will be seen to be win, win and I look forward to the day when the Opposition, as it has commented generously today, when all this comes to fruition, is the first to congratulate us.

**Mr EVANS:** An amount has been set aside in the estimates for the redevelopment of Adelaide Airport. What can the Minister tell us about this expenditure and progress on this matter?

**The Hon. J.W. Olsen:** I appeal to the Leader in his new position and in light of his going to the Federal ALP conference this weekend, I believe—

**The Hon. M.D. RANN:** I am off on Sunday.

**The Hon. J.W. Olsen:** I know that the Leader will represent his Party with credit, but I ask him also to represent the interests of South Australia with distinction and to that extent only one path should be pursued in that conference in Hobart over the course of the next few days, that is, in relation to the sale of Adelaide Airport. Only the sale of Adelaide Airport early in the process and as a separate entity will achieve the sort of focus needed to ensure that it can play its proper role as an economic generator for South Australia. I say that knowing full well that it was the former Government and the then Minister and now Leader who allocated some \$10 million towards the upgrading of Adelaide International Airport, which this Government has kept in place and is pursuing aggressively and vigorously with the Commonwealth Government.

It would concern us if Adelaide Airport were paired with another, particularly Melbourne Airport, as it would lose our focus and risk replacement of the status that we currently have if there were an alternative network operator with consequent disbenefits. One of the proposals floated by the Commonwealth Government under a number of proposals is pairing, but a potential outcome of pairing Adelaide International Airport with Melbourne Airport is that it would become a regional domestic feeder airport to a Victorian gateway. That is not in South Australia's interest and we ought to avoid it.

The South Australian Government has assessed the economic benefits to the State from the development of Adelaide Airport, and I will describe them in a moment. Those benefits will be realised only if the needs of Adelaide Airport are not subordinated to those of other gateways. For that reason, the State Government engaged AIDC to identify suitable parties that may be interested in acquiring a stake in Adelaide International Airport. A number of potential investors have shown positive interest in AIA, but it is important to note that AIA lacks basic infrastructure that must be supplied by the Commonwealth Government prior to the sales process because (and I talk particularly about the runway extension) it cannot be justified on solely commercial grounds. It should be noted that AIA was the only major city

international airport below standard when transferred to the FAC in 1988.

In relation to the economic benefits, a recent study for the Federal Airports Corporation, the Burns report of 1993, estimated that there are some 2 700 people earning \$120 million in 1989 prices whose employment is directly related to airport activity and that airport operators spend a further \$100 million in South Australia. Total direct and flow-on effects in 1993 from the airport were estimated at 8 420 jobs. This is a growth of 30 per cent from 1989 and \$311 million on 1989 prices. This amounts to 1.3 per cent of current gross State product and, as pointed out in the study, demonstrated that the airport's ability to generate economic growth over a period when the national and State economies were essentially stagnant, when the rest of Australia in airport traffic and their economics were stagnant, was growing.

The facilities at Adelaide International Airport are not adequate to support the State's economic development needs. If the Federal Government's focus is on export markets and accessing those markets then it has to be prepared to give us the infrastructure to achieve that. It is no good having the policy in place without the infrastructure to be able to implement it effectively.

Last year we exported 400 tonnes of cut flowers, and that is a lot of cut flowers. Of those, 90 per cent exit South Australia via Melbourne and Sydney to international markets. That adds \$150 000 in additional freight costs for flower growers and it is disadvantaging small businesses in South Australia.

The Adelaide International Airport presently has one air bridge and a runway incapable of viably supporting passenger services beyond Singapore or freighters even to Singapore. The runway needs to be extended to at least 3 100 metres at an estimated cost of about \$40 million and the international terminal building needs at least a further two air bridges, additional terminal space and associated hard standing areas at a cost of about \$49 million.

When you have a charter flight arriving from Japan, the air bridge at the international airport is full and it happens to be pouring with rain and influential Japanese visitors have to walk across a tarmac in their suit and get saturated before they go off to an appointment, it does not augur well for our international standing, nor does it indicate that we are one of the international players.

The upgrading of the airport must aim to provide the infrastructure needed to support increased air access to the State, which will stimulate export growth for the State's traded goods sector, increase in-bound tourism and promote Adelaide and South Australia as a credible and attractive base for international investment.

I spoke to the air freight forwarders about three or four weeks ago. The following Friday night, two nights after I spoke to them, they were shipping out of Adelaide six semi-trailer loads of containers to Melbourne for flights to international markets. That is the extent of the traffic going out of South Australia that ought to be going out through our international airport. In the meantime, it is giving a boost to the figures being put forward by Melbourne and Sydney as to their traffic and capacity—simply because they have starved us and we have to redirect our exports through those cities to help their figures.

According to the most recent study undertaken by the Centre for Economic Studies for the EDA and based on conservative assumptions and the FAC's own forecasts, the proposed airport extension should generate about 15 000

additional in-bound tourists over a five-year period to the year 2001. Tourist expenditure is expected to increase by \$29 million over the first five years and \$125 million over 10 years. Induced commodity production due to additional air freight capacity would be approximately 9 800 tonnes over five years at a value of \$124 million and 24 000 tonnes at a value of \$318 million over 10 years.

Other direct benefits include the time savings for out-bound South Australian residents who would no longer have to travel via another Australian city. It is estimated that over five years that would involve about \$8.5 million and \$18 million over 10 years. Time and damage savings for local exporters are estimated at \$21 million over five years and \$59 million over 10 years.

The study concluded that, based on construction costs of about \$90 million, direct economic benefits to the State would exceed total costs and present value by 2:1. Net present value is \$112 million. Over 10 years, the expansion would also have a significant flow-on impact on gross State product of \$180 million, 1 018 positions would be created in the employment market and additional direct State tax revenue would be \$13 million.

We simply cannot accept a 'do nothing' strategy. It is absolutely imperative for this State, if it is to meet its export market opportunities and potential, to have the infrastructure in place so that we can get the traffic through the airport to meet the opportunities that are there. Failure to do so will simply consign us to being second-rate in having to access out of Melbourne and Sydney, principally, to those markets.

**The ACTING CHAIRMAN:** Before calling another member, I would like to underline what the Minister has said. As a member of this Committee and unable to be here this morning, I was at the airport greeting some business people from Asia on their arrival. They were 1½ hours late because of traffic congestion in Sydney and they were angry about that. The problem they had come here to try to solve was their difficulty in getting supplies of perishables out of South Australia, which is the principal source of perishables of the kind they are seeking. They made the position plain to me during the 20 minutes that I was with them.

As people from that part of the world are noted for their courtesy, I must say that I find that disturbing, but it confirms everything the Minister has said and it confirms the same fears that I have had for a long time. I thank the Minister for his explanation of the challenge confronting us and the fact that it is past high time we did something about it. Regrettably it was not seen as important at any time during the past decade.

**The Hon. M.D. RANN:** I wonder whether you would like to make another grievance speech to fill in a bit of time.

**The ACTING CHAIRMAN:** The Leader needs to understand that the Chairman is a member of the Committee, as was the Hon. Martyn Evans.

**The Hon. M.D. RANN:** So I can make a speech or I can ask a question.

**The ACTING CHAIRMAN:** Of course.

**The Hon. M.D. RANN:** The rules have changed since this morning.

**The ACTING CHAIRMAN:** You can make a statement relevant to your inquiries.

**The Hon. M.D. RANN:** Thank you very much. I certainly will. I am very pleased to see the bigger picture from the Minister, because in the past few days I have been hearing the Premier saying that the Opposition and the Opposition's actions are irrelevant. I am very pleased to hear that the

Minister disagrees with his Premier and that he wants me to fight for an upgrade of our airport while I am in Tasmania.

**The Hon. J.W. Olsen:** I am sure the Premier would want you to do exactly the same thing.

**The Hon. M.D. RANN:** It would be nice to hear that from him rather than having this name calling. I point out that, in the spirit of the remarks of the member for Ridley—because we seem to be having an iron triangle of support here (and I do not mean any offence to the member for Giles, so perhaps I should call it a 'golden triangle')—what we are seeing at Adelaide Airport is a disgrace. There are absolutely no two ways about it.

I met with the FAC during the year or so that I was Minister for Tourism and responsible for the EDA and I found the conduct disgraceful. I was told that we have to make decisions on commercial grounds. I then mentioned a couple of other airports around the country that were a great deal better than the airport here in Adelaide. I mentioned facilities such as the Alice Springs Airport and I was told that they were upgraded for political reasons.

I pointed out that one minute I was being told that the corporation makes decisions only on commercial grounds and next minute I was being told that they were made for political reasons. Here is a political reason, here is a commercial reason, here is a trade reason, here is a tourism reason! The fact is that we must have an upgraded airport. We need an extended runway and we also need better facilities in terms of gates and freight.

I totally agree with the Minister that the upgrading and extension of Adelaide Airport has to be a priority for trade, small business, small exporters, big business and big exporters. That has always been my position. I am not a great friend of the FAC, but if the corporation wants to bob up as a result of our bipartisan commitment today and say, 'We agree with John Olsen and Mike Rann: we will upgrade the airport and extend the runway', then so be it. However, I will not wait for that with bated breath. I will be fighting for one thing and one thing only: in the interests of South Australia, there should be a major upgrading of the airport, the runway and freight and gate facilities.

**The Hon. J.W. Olsen:** An event that has occurred in the past 24 hours I think is of interest, given that we have been talking about the Federal Airports Corporation. I, too, had a meeting with the FAC Chairman, Frank Conroy, and the board several months ago when it said that unless it could get an instant return on its investment it was not interested. One then drew the comparison with Coles-Myer and Woolworths—that when they put in a new facility they do not expect to get an automatic instant return; that they chase market share first and get a return after four or five years; that that was normal commercial practice, which the FAC ought to be applying. There was resistance, as the Leader said.

But the FAC is in Adelaide today. Mr Jack Moffatt, from the Federal Airports Corporation, has come to Adelaide today to have discussions with officials of the South Australian Government with a view to looking at what infrastructure needs are required at the Adelaide International Airport. I welcome this new approach from the FAC. I note that in the upgrading of the third runway at the Sydney International Airport it underspent by \$33 million. That being the case, one would hope that it would focus now on Adelaide's needs and requirements.

The officials are working through with Jack Moffatt of the FAC. Perhaps his organisation has seen the bipartisan support involved in bringing this project to fruition and is looking at



some of the options in terms of fulfilling its basic requirement that has really been there since 1988—that is, that Adelaide ought to be entitled to the basic facilities to which every other capital city airport in Australia is entitled. This would enable us to have a facility that would assist us to attract and keep internationally oriented companies such as Motorola, Solar Optical and Faulding. It is very important to companies such as that, and it would also assist the tourism industry—of which the Leader is aware—as well as providing access to other growing overseas markets to which he has referred.

All those areas warrant consideration in the upgrading of this airport. The Leader's suggestion and offer to fight for South Australia's basic infrastructure needs at the national conference of the ALP and elsewhere is welcome. That bipartisan support is welcome. Hopefully at the end of the day South Australia will be the winner.

**The ACTING CHAIRMAN:** Has the Minister written to South Australian Senators in particular and, if so, what has been their response? If he has not, does he propose to write to them on this issue and to other members in the House of Representatives?

**The Hon. J.W. Olsen:** The Premier is already proceeding on that course, Mr Chairman.

**The Hon. M.D. RANN:** There is no doubt in my mind that the failure of the FAC to upgrade the airport in terms of both tourism and freight is a major impediment to the development of this State. I am not surprised to hear that the FAC is panicking. I am surprised that it has taken it this long. I look forward to going, arm in arm with the Government, to the opening of an extended runway. We look forward to a bipartisan opening of an upgraded Adelaide Airport.

The Opposition is pleased about the Government's breaking at least one of its promises, and that was the promise to cut money for industry assistance and economic development from \$40 million per annum to \$28 million. It is very pleasing to see that the new Government is continuing our commitment on the manufacturing modernisation program, assistance to the automotive and TCF industries, assistance packages for the tooling and foundry industries and our mineral exploration project from which this State will reap dividends for at least 100 years. What does the Government believe will be the impact of its cutting of the manufacturing modernisation program from \$8 million to \$6.6 million?

**Mr Frogley:** As regards the manufacturing modernisation program, the funds available in the budget consist of our new appropriation for this year plus cash carried forward from last year. If you take those two things into account, there has been an increase in funds available for the manufacturing modernisation program. Funds available in 1993-94 totalled \$10.2 million and, in 1994-95, a little over \$12 million. That excludes funds for the auto and TCF industries. There has not been any reduction in the overall effort. On the contrary, in program terms there has been a slight increase with new funds being made available for the foundry industry and also for upgrading the advanced manufacturing facility.

**The Hon. M.D. RANN:** I am aware of widespread concern within the TCF industry about a perceived lack of Government and perhaps even senior bureaucrat knowledge of the industry, which is very important as it has over 5 per cent of manufacturing employment and 1 per cent of total employment in South Australia. It was to overcome certain of these problems, among others, that we as a Government were committed to the TCF task force, which I chaired and you subsequently abolished. What will be the extent of support for the textile, clothing and footwear sector? Will the

Minister give a guarantee of continued support at significant levels beyond the next financial year?

**The Hon. J.W. Olsen:** The TCF unit at the Centre for Manufacturing has the task to assist and facilitate TCF industries in South Australia in accessing the range of programs that are available across the board.

**The Hon. M.D. RANN:** Does the Centre for Manufacturing currently employ a sectoral adviser to TCF firms?

**The Hon. J.W. Olsen:** One position was vacant and is about to be filled, but there will be two positions at the Centre for Manufacturing dedicated to TCF. That was the unit to which I referred.

**The Hon. M.D. RANN:** Will the Minister explain the reason for the cut to the automotive program? Will he give a clear commitment to the maintenance of this program beyond the next financial year?

**Mr Frogley:** In terms of the auto program, the budget for 1994-95, in part, reflects the cash flow requirements, but in terms of the program there has been no reduction in the funds available. With respect to the funds available for 1993-94 for the entire auto program made up of appropriations and cash carried forward, some \$11 million was available. In 1994-95 some \$8.1 million will be available, with forward commitments for one project into future years. The allocation to the auto program partly reflects the expected demand on investment incentives and restructuring funds in that program, and they have been marginally increased over the 1993-94 levels.

**The Hon. M.D. RANN:** Is it intended that there will be a continuation of the automotive program and the TCF assistance program beyond next financial year?

**The Hon. J.W. Olsen:** Yes.

**The Hon. M.D. RANN:** Of course, it is not just a question of how much you spend but how you spend it. Certainly, that is exactly why we insisted on decent provisions in MMP guidelines that required companies benefiting from public assistance to consult with their work force and the relevant unions as equal partners about changes to technology and the work organisation. All of us would be aware that it is not just shareholders who have an investment in industry but it is also workers who invest their skills and their lives. The reasons for that MMP approach were, first, that it is not just technology that helps us become competitive it is people and, secondly, we can make maximum use of scarce public resources and assistance only by making sure they are used to improve an enterprise to the greatest extent possible. Does the application of the MMP, the automotive, the textile, clothing, footwear and other programs by your Government require consultation with workers and their representative organisations?

**The Hon. J.W. Olsen:** Good workplace practices would have it that management consults and interacts with the work force. The Government's policy is that we should encourage that practice being put in place.

**The Hon. M.D. RANN:** I have received advice from several quarters that such consultation and consideration of people and of the representative unions is not occurring. Page 237 of the Program Estimates indicates that the EDA is seeking to develop closer ties with the employers' chamber, but does it acknowledge the need to involve workers and unions as equal stake holders?

**The Hon. J.W. Olsen:** If the Leader would like to provide examples, I will be more than happy to look at them in consultation with Mr Munsberg, the CEO of the Centre for Manufacturing.

**The Hon. M.D. RANN:** What other conditions, if any, apply to firms receiving assistance, such as the maintenance of future employment levels, expanded exports and/or import replacement, requirements to purchase certain inputs or services locally, or to help develop and nurture local suppliers?

**The Hon. J.W. Olsen:** Each enterprise, each individual workplace, must be treated on a case-by-case basis. I come back to my opening remarks: these days, good management practice sees interaction between management and the work force. Gone are the days when you would park your brains at the door as you punched the time clock on the way in. People have a contribution to make to the efficient operation of their workplace. Sensible, progressive winners in business are those who involve and interact appropriately with their workplace. Certainly, that is something that the Government encourages, as do the agencies of Government. However, it is not an absolute requirement as a base for Government funding, and I do not think it ought to be an absolute requirement. However, it is a principle that ought to be encouraged. If the Leader would like a further explanation of enterprise review processes, the CEO would be happy to oblige.

**The Hon. M.D. RANN:** Thank you; I appreciate that. The Manufacturing Modernisation Program, which was initiated by the former Government, is an initiative that has bipartisan support. Could the Minister advise the current break-up of the MMP into its various subprograms, including enterprise improvement; technology evaluation; technology improvement; development, financing and research; networking; export development; benchmarking; SACFM staffing; and major programs?

**The Hon. J.W. Olsen:** For the enterprise improvement program there will be an allocation of \$1 million; technology evaluation, \$419 000; technology diffusion, \$1 042 000; development and financing, \$2 791 000; networking, \$1 103 000; tradeable services, \$702 000; foundry program, \$500 000; tooling program, \$1 054 000; benchmarking, \$235 000; export marketing—the jobs package scheme—\$1 million; staffing costs, \$1.5 million; and advance manufacturing facilities, \$700 000. That gives a total of \$12 044 000. I stress that that break-up is flexible in that you can move around within different programs as you identify the needs of programs.

**The Hon. M.D. RANN:** Will you outline how the operation of the MMP has been affected by the development of AusIndustry?

**The Hon. J.W. Olsen:** The manufacturing modernisation program, AusIndustry, the Centre for Manufacturing and the Economic Development Authority have been in negotiation with Commonwealth Government officers of Senator Cook's ministry to look at the implementation of AusIndustry programs. There will be a Ministerial Council meeting on 28 October this year when hopefully we will be able to progress the programs and the way in which they will be introduced and administered by the respective States. I understand that at officer level agreement has not yet been reached on the application of the programs. However, South Australia is being used as a model for the introduction of those programs. This State is very much to the fore, and it is in our interest to give encouragement to that so that the way in which we operate becomes the model for the rest of Australia. In doing so, I hope that we will be able to access more than our pro rata share of funds as a result. I shall be in a better position after the Ministerial Council meeting on 28 October to advise

the Leader on the position, but I hasten to add that the agencies in South Australia should be given a big tick, so to speak, by the Federal Government in the introduction of these programs.

**The Hon. M.D. RANN:** I have a couple of omnibus questions. What sectors are being covered by dedicated sectoral advisers; will the Minister enunciate the key performance targets for operation of the MMP this year; will the Minister provide details of principal firms and sectors assisted during 1993-94 and to be assisted in the current year; what conditions are attached to firms receiving assistance under the MMP; and what are the requirements in terms of management consultation with the workers and relevant trade unions?

**The Hon. J.W. Olsen:** I am happy to take those questions on notice and supply an answer to the Leader in due course.

**The Hon. M.D. RANN:** An area that I want to pursue, which involves an industry very close to my heart and electorate, is the automotive industry program. I was the Chair of the Automotive Industry Task Force, and I am delighted that the Government has retained, albeit with what appears to be reduced funding, the automotive assistance program. I am aware of the answer that the Minister gave earlier, but perhaps we could flesh this out from the estimates later. What progress has been made in the development of the Vision 2000 component of the program? In my view, this program is of great significance because it will give a clear direction to our industry, not just the major manufacturers but the components industry manufacturers and suppliers, and it will send a clear signal of intent to overseas investors and markets.

What is the present level of financing of the Vision 2000 exercise; what are the major expected outcomes during the year; and what messages and feedback are we getting from interstate and overseas players as well as our own industry? For the benefit of the Committee, the Vision 2000 component of the program was to look across the industry, whether it be GMH or Mitsubishi. Indeed, automotive manufacturers from other States formed part of the committee, because we wanted to go to the Federal Government with a clear industry view when we were arguing, for instance, for variations of tariff policy or whatever. It also included car component manufacturers. However, the Vision 2000 statement was about where we wanted to be by the year 2000. Where does the Government think the program is going and does it support the program?

**The Hon. J.W. Olsen:** The position at this stage is that a draft plan has been prepared. That draft plan is with the CEO at the moment. Following his consideration of the plan, it will come to me.

**The Hon. M.D. RANN:** As the Minister will be aware, the Institute of Automotive Manufacturing (now called the Centre for Research in Automotive Manufacturing, or CRAM) was an initiative of the previous Government. Indeed, I was in Boston last year talking to Digital on my way to talk to EDS and I visited the Massachusetts Institute of Technology where I spoke about some links between that institute and CRAM. The centre is about better understanding the role of people, management and workers and how they are organised, together with technology, in making the industry internationally competitive. I hope that the fact the Minister has kept the program is evidence that he does not want to turn the clock back in terms of industrial relations and other areas which are important for the success of our automotive industry.

I have just spent a couple of days at General Motors and I have a couple more days to go. Anyone who visited General Motors in 1978 and who visits now—I have visited it many times in between—will see a stark difference. Today you see managers at the highest level, middle managers, workers and shop stewards working cooperatively to achieve the best outcomes for the industry to be productive, to export, to expand and to create jobs. I think that CRAM is vitally important. I acknowledge the Minister's letter of support for the process of members of Parliament being placed in business. None of us will pretend to be experts and no-one would pretend to be an expert after a week in a different industry, but all of us will know more about that industry at the end of the week than we did at the beginning. That has certainly been my experience so far. Have we yet succeeded in the recruitment of an executive to CRAM and, if so, who is that person or who are those persons?

**The Hon. J.W. Olsen:** Yes. The centre opened officially in February 1994, following the appointment of Dr Carl Knapp as Director. He was formerly Associate Director of the Centre for Technology Management at Griffith University, Brisbane, and his training includes a Ph.D. and M.Sc. degrees in mechanical engineering from the California Institute of Technology. The sum of \$500 000 has been allocated to the project from the automotive subprogram of the EDP to support the establishment of the centre in its first three years of operation. In addition, Mitsubishi has supported the project financially, DETAFE in terms of academic staff, and there are other support functions to assist the funding.

**The Hon. M.D. RANN:** When I was Minister of Business and Regional Development responsible for the Centre for Manufacturing and the MMP, we approved an initial package of support to Mitsubishi to ensure local production of the next model Magna Verada by means of assistance for upgrading the facilities for engine production. This was subject to undertakings from the company concerning the continuity of production, employment and export expansion. What is the extent of assistance provided to Mitsubishi and the conditions to be fulfilled by the company? I should be happy for that information to be provided on a confidential basis.

**The Hon. J.W. Olsen:** I will look at that and respond later.

**The Hon. M.D. RANN:** I think every member of the Committee will be aware that the Federal Government's tariff reduction program targets the achievement of 15 per cent for the industry by the year 2000. This will be a very low tariff in international terms. I think all of us were concerned during the last recession that rapid tariff reduction on one side was being matched by depressed economic circumstances across the country. Therefore, whilst recognising the need for tariff reduction, our industries were being hit about the head on both sides.

Indeed, when you look at some of the tariff barriers that are applied by other countries, you sometimes think regarding some industries that there was a policy of one-way free trade. Through the Automotive Task Force and the Manufacturing Advisory Council, we worked to persuade Federal colleagues that neither South Australia nor Australia could afford the 40 per cent reduction in output and employment implied by that target of 15 per cent tariffs for the industry by the year 2000. I note that, when we were in government, the Opposition was pretty quiet on the tariff reduction policy because Fightback, with its zero tariff policy, underpinned both Government and coalition policy. What is the State Government's position?

**The Hon. J.W. Olsen:** The Premier has made a number of public statements in relation to the matter, and I will arrange to get for the Leader the policy position as enunciated by the Premier.

**The Hon. M.D. RANN:** I argued, unsuccessfully, for a pause in the reduction during the recession. Does the State Government believe that the achievement of 15 per cent by the year 2000 is desirable or does it believe in zero tariffs by the year 2000?

**The Hon. J.W. Olsen:** The simple fact is that the State Government is not supporting a zero tariff base factor.

**The Hon. M.D. RANN:** I asked a series of questions about Motorola; I want to put the situation into perspective for the benefit of the Committee. Concerns have been expressed that we might have been encouraged to bid more than we had to and, therefore, spend more than we had to, in order to achieve Motorola's establishment here, which everyone recognises is of benefit to the State. The concern is that we set a significant precedent. What does the Minister believe would be the response to a significant existing South Australian firm that says it will pull up stakes and move interstate because it was attracted by incentives, in Melbourne or wherever, being offered by that Government? If an existing player renegotiated a package with Jeff Kennett's Government and then used this as a basis to bargain with the Minister for a package just to remain in the State, what would be the Government's position? A kind of an auction block mentality could occur unless proper safeguards were put in place.

All of us agree that incentives must be put in place to encourage relocation and establishment. No-one argues with that: we did it, you will do it, you have done it, you will do it again and we will do it again. The problem is to ensure that things do not get out of hand, whereas if people do believe that, if there is an over inflated bidding process, existing firms could exploit the process in order just to retain rather than expand employment.

**The Hon. J.W. Olsen:** It depends on a case-by-case example. Certainly, the State Government will not go down the track in an open bidding war with other State Governments. However, we will put in incentive packages where we think it is in the State's best interests to do so, based on a case-by-case study, an understanding. The simple fact is that we do not have the financial resources to open up into a full scale bidding war and simply to write out cheques to get companies to establish here. On the other side of the coin, unless you are strategically giving incentives to industry to develop the critical mass that you require or it meets your overall goals and objectives for export market development and potential, if you do not put in some money to attract the right industries to develop the critical mass, we will be, as Arthur D. Little said, nothing more than a retirement village in 20 years. There is a balance in this, and that balance is related to judgment. Judgment must be put in place, I repeat, on a case-by-case basis.

The Government, through the Cabinet process, has put in place benchmarking so that Cabinet is fully aware of any incentives that are put in place as a benchmark against previous packages that have been put in place; a judgment can be made by all Ministers at the time a proposal is put before the Cabinet. The intent is to avoid the circumstance to which the Leader refers. We are interested in not an auction but strategically-placed incentive packages. Only time will judge the decision making processes.

**The Hon. M.D. RANN:** The Minister would be aware of rumours flying around that various informal promises have been made to Motorola about future work that it might get from the Government or elsewhere. Can the Minister deny whether there has been any informal nature to the incentive package?

**The Hon. J.W. Olsen:** Certainly, to my knowledge, no formal or informal discussions or commitments have been given to Motorola. In fact, I can recall in the very early stage of opening up negotiations with Motorola that the approach from Motorola was, 'No side deals in relation to the development of the main package: the main package stands and falls alone, as its own entity.' That was the way in which, conservatively, Motorola approached propositions of this nature. In any event, the Government would not have entered into that mode of operation. I am reminded it is the number one company in the world. It has an international standing and reputation that it certainly would not tarnish by any deal other than a straight up-front deal, which has happened in the case of South Australia. I repeat: there has been no formal or informal discussion with Motorola about other components of business.

**The Hon. M.D. RANN:** I am pleased that the Minister does not support zero tariffs. I supported a mid-term review of tariff policy to see what the impact was—a kind of snapshot of how the car industry and other industries were being affected by the current rather rapid reduction in Australia's tariff regime. It would seem to me that that might be an indication to both Federal and State Governments, as well as to the industry, about whether we are coping or exporting jobs internationally. Would the Minister join me in calling for a mid-term review of the national tariff policy?

**The Hon. J.W. Olsen:** That matter was discussed at the last Ministerial Council meeting, where the Federal Minister (Senator Cook) undertook to have a look at the issue. There has not been a subsequent Ministerial Council meeting. As I said previously, it is scheduled for 28 October, so we will look at it then. I assume it will be back on the agenda at that stage.

**The Hon. M.D. RANN:** I am pleased that the Minister agrees with the previous Government about the importance of regional development, and for reasons largely to do with the significant changes in Federal Government industry policy over the past 20 years, as well as the changing fortunes of many rural industries. Several regions of South Australia are particularly vulnerable, as we all know.

The member for Giles knows a million times more about Whyalla than I do, but that is just one example of the fact that Whyalla poses an infrastructure that is capable of supporting twice its current population, as I understand it. The unemployment rate is about twice the State average. Many of the developments that occurred under the previous Government, such as the upgrading of BHP's production facilities and the activities of Morrison Knudsen and so on, were obviously welcome, and the member for Giles was involved in seeking other major projects, such as Tioxide, for the area.

One of the things we tried to do because of our general concern about regions and the fact that there tended to be an Adelaide focus rather than a South Australian one was to look at the provision of enterprise zones. I got the idea from a British Cabinet Minister and various British members of Parliament to create a zone that was both free from State taxes (no payroll, sales or land tax, etc.) and had a 10 year exemption from council rates. There seemed to be a mixed response from the then Opposition. Some members said, 'We

want one, too, for our area', others said, 'We support this', while others said, 'We need a statewide enterprise', although I have not seen a move for a statewide 10 year exemption on State taxes. The Minister has mentioned in terms of Motorola and Australis that enterprise zone status would be offered, as it was, I understand, to Orion tenderers if they were to locate at Technology Park. The Whyalla development triangle was designated as an enterprise zone. Will the Government honour that designation?

**The Hon. J.W. Olsen:** It is honoured in that, unlike a number of the Leader's comments regarding country areas throughout South Australia, we have not removed enterprise zone status from Whyalla, Technology Park or other areas. Instead of the majority of areas of South Australia being disfranchised by the previous policy, we have given them a franchise. So, if a new company wants to establish in Whyalla we will look, on merit, at the provision of all those benefits under enterprise zone status to that facility in Whyalla, as we would do in Berri, Mount Gambier or some location on Yorke Peninsula. My point is that our policy is an expansive one: it enfranchises all areas to treat on merit proposals that are put before the Government. The previous policy disfranchised the majority of country areas of South Australia.

**The Hon. FRANK BLEVINS:** I note on page 236 of the Program Estimates a reference to regional development boards. The objective is to monitor and review the performance and effectiveness of approved regional development boards to ensure appropriate coverage of the issues affecting regional development boards through a significantly upgraded regional development branch. What is the extent and character of the expanding resources for regional development within the EDA?

**The Hon. J.W. Olsen:** Mr Don Swincer has been appointed General Manager to head up that unit. We will appoint five additional people to the Regional Economic Development Unit within the EDA. Previously, there were two people in the unit; six people will now comprise the designated complement for the Regional Economic Development Unit within the Economic Development Authority. That will enable that unit to have closer liaison, more regular contact and a greater capacity to interact in and support those projects put forward by the various regions. In addition, it will act as a liaison point between South Australia and the Federal Government in the provision of programs to which I referred earlier today. Mr Frogley would like to correct an answer he gave a moment ago.

**Mr Frogley:** When talking about the budget for the auto program to be delivered out of the Centre for Manufacturing in 1994-95, I may have given an incorrect figure. The correct comparison in available cash terms is \$5.6 million in 1993-94 and \$8.1 million in 1994-95. So, in terms of cash available, there is a significant increase in funds. In terms of the capacity to commit programs, the figures are \$4.7 million in 1993-94 and \$4.6 million in 1994-95 with an increase in investment incentive built into 1994-95.

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

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Minister for Industry, Manufacturing, Small Business and Regional Development and Minister for Infrastructure—  
Other payments, \$38 139 000.

**Departmental Advisers:**

Mr D. Ryan, Corporation Secretary,  
Mr R. Kennan, Chief Executive Officer.  
Mr K. O'Dea, General Manager, Commercial.

**The ACTING CHAIRMAN:** I declare the proposed payment open for examination and refer members to page 102 of the Estimates of Receipts and Payments.

**The Hon. M.D. RANN:** I declare at the outset that I am a passionate supporter of the MFP as is the Opposition and our Party, and we will continue to be supporters of the MFP. I acknowledge that it has had mixed press since its inception, which has been most unfortunate because the winning of the project was a major step forward for South Australia. The MFP is a project that everyone and anyone who is either connected with it or understands it acknowledges as a project with time lines that will run into years and indeed decades, as have other similar projects internationally, particularly in France.

I recently visited London and the docklands development which, whilst not identical, certainly has some similarities in that it was in a degraded part of London, albeit in a part of London from which I hail. It was a mixture of high technology, urban development and improvement, housing and so on. Despite the massive controversies that surrounded the docklands Isle of Dogs development, it now has about 60 000 people working there, with major but low cost, medium cost and high cost housing, and it has become a major tourist attraction—one of the major tourist attractions of London.

Again, people of vision had a long-term plan, but in Britain, no doubt as in France, there were those in the community who failed to comprehend that these things cannot just be whipped up overnight. It is vitally important that Government and Opposition now work together to avoid petty point-scoring about the MFP and, hopefully, can educate the community, particularly some sectors of the media, as to what the project actually is.

In February of this year the Minister was asked a series of questions about the future of the MFP and at the time the Minister (which I thought was out of character) chose to answer the questions by criticising the former Government's role regarding the MFP. Today I want to put my questions in a constructive and positive way and certainly want again to assure both the board of the MFP nationally and internationally, as well as the officers of the MFP, of the State ALP's strong support for a development, the credit for which we will one day see thousands of people trying to claim. That is ahead of us yet.

**The ACTING CHAIRMAN:** Does that represent the Leader's opening statement?

**The Hon. M.D. RANN:** The preamble.

**The ACTING CHAIRMAN:** I am sure the Leader will not mind if, in the same spirit of bipartisan cooperation, I invite the Minister to make an opening statement likewise.

**The Hon. M.D. RANN:** No, Sir.

**The Hon. J.W. Olsen:** I propose with each group to make some opening remarks, for the benefit of the member for Giles. Earlier this year, with the support of the Federal Government and the MFP there was a successful refocussing of the MFP. The core site was expanded to include Technology Park. The MFP Corporation embraced the State Government's concept of centres of excellence in its strategy and, when the board signed off and agreed, the Government was delighted. Yesterday I had the privilege of presenting to the University of South Australia a cheque for \$1 million

from the MFP under the Centres for Excellence badge to develop the Ian Wark Research Institute, which the MFP has endorsed as a centre for excellence.

*The Hon. Frank Blevins interjecting:*

**The Hon. J.W. Olsen:** The member for Giles indicates his involvement. There are now four key projects strongly related to industry development in South Australia: the Bolivar/Virginia pipeline, estimated to be in the order of \$40 million; the Barker inlet wetlands, \$9 million (on which work has already commenced); the Australian/Asian Business Centre; and the urban development, stage 1.

In summary, the MFP has gained from that refocussing. It continues to receive the support of both the State and Federal Governments and is now the agent behind some very tangible projects with significant economic benefits for South Australia. The completion of that pipeline and the wetlands rehabilitation will generate important intellectual property and expertise, which I am sure the MFP will be able to sell successfully overseas.

In the course of the last nine months we have made arrangements through MFP for a number of people to undertake site visits. I have not yet met anyone who has come back from a site visit who has not been an advocate subsequently of the MFP and its objectives. There was perhaps a marketing difficulty in the early stages of the MFP, and the Leader referred to mixed publicity that had occurred, but, now that some tangible benefits are starting to come to the surface as a result of the planning sessions that have been put in place by the board and its staff, I am sure we will see the MFP become a very key component of economic development in South Australia and Australia in future.

With the Leader, I am an advocate of the MFP and believe it will reach its goals and objectives and be seen, in the fullness of time, as being a vehicle for significant economic growth for Australia and for accessing Australia into the international marketplace.

**The Hon. M.D. RANN:** Technology Park and Science Park were, under the Act, incorporated into the MFP in July 1993, so it became an MFP site then under the legislation. Has a chief executive been appointed for the Australian/Asian Business Centre?

**The Hon. J.W. Olsen:** Yes. The Executive Director was appointed on 1 September to manage the creation of the consortium. It is proposed that the initial program definitions and development work will be completed during the first half of 1995, with final preparations completed during the remainder of 1995 in readiness for AABC's first program event in the first quarter of 1996.

**The Hon. M.D. RANN:** Who is the appointee?

**Mr Kennan:** It is Dr Webber, whom we found as a result of a world search, indeed a person with significant experience in working both with business and in the academic environment. He had just resigned his role as President of the Western International University in Arizona in the United States.

**The Hon. M.D. RANN:** I refer to the MFP and the Australia/Asia Business Centre. One of the concepts was always that there would be a strong educational presence. Does the Minister believe that there is scope either in a joint venture with overseas universities or, indeed, through legislation, for the creation of a university structure which has private sector backing and which could be incorporated as part of the MFP? Obviously we all know about Bond University and its problems as well as some of its potential, but there are other private sector universities, including the

Catholic universities of Melbourne and Sydney and the University of Notre Dame in Fremantle, Western Australia, all of which were set up by State legislation. The University of Notre Dame has a relationship with Notre Dame University in the United States. Has there been any exploration of the potential to involve overseas or private sector universities as part of the MFP?

**The Hon. J.W. Olsen:** I will invite Mr Kennan to respond to the linkages between AABC and institutions overseas. The question was prefaced by a query about the State Government's policy position. The State Government would not want to rule out any option: our view is that all options should be put on the table and that one makes an assessment and a judgment as to those options. In recent times, having identified the four key areas of the MFP, it has been established that a very important and fundamental requirement is to get those four options operating successfully and to establish tangible benefits so that the community generally understands the benefits of MFP Australia to South Australia and the Australian community. The best way to market it is by demonstrating the tangible benefits that can flow from those four options. As a priority, I would argue that the four key focus points need to be progressed into tangible benefits, which are then stand-alone and which can be subsequently marketed. Mr Kennan may want to elaborate on the linkages.

**Mr Kennan:** We have changed the name from 'Australia/Asia Business Centre' to 'Business Consortium' to try to reflect more accurately to people that it is a consortium of private enterprise entities coming together. In that context, the references that have been made to 'linkage' are appropriate. Although we have not formalised anything, because it is subject to the Executive Director's going into more detailed activity, we have arrangements that are capable of being pursued with INSEAD, which is a major European facility. We have a less rigid arrangement with Stanford at the moment but, again, we have the potential of working with the university. I hasten to add that the standing of those two institutions is pretty significant; they are world-class entities. We believe that we can go further if we so desire.

We are also having discussions with several Asian facilities. It has been of great interest to us that now, as our activities become real in support of the comments made earlier, we are becoming an attractive partner to many of the Asian people who see the potential of what we have taken as a concept and will deliver into reality. The Australian universities, obviously stemming from the three here in South Australia, and more broadly in Victoria, New South Wales and Queensland, are also expressing their willingness to be supportive and, indeed, to have linkages as well.

**The Hon. M.D. RANN:** That is good news. Last year the Minister was critical of the goals that the previous Government had set for housing development associated with the MFP. What are the current projections for residential developments associated with the MFP?

**The Hon. J.W. Olsen:** The expanded core site has just been endorsed by Cabinet and, I think, is now gazetted. So, the new expanded core site is in place. The MFP board has called for expressions of interest from people in the private sector to undertake private sector development of stage one of the expanded core site. Of course, that will involve the purchase of some land in this new core site area. The expressions of interest are to hand. The MFP has a board subcommittee that is giving consideration to those expressions of interest. The objective is to have a principally private sector-driven urban housing development, and for that then

to expand into other areas of the Gillman site. The project will begin in an area where we can get private sector involvement, and it will then work through the other parts of that area. It is tentatively proposed over the next eight to 10 years for a village housing approximately 12 000 people to be built and marketed. That will be staged over a 10-year period.

**The Hon. M.D. RANN:** Can the Minister explain to the Committee in what ways these residential developments will be unique and how they will differ from the developments initiated by the Urban Land Trust in association with developers? I am thinking of the Golden Grove joint venture as one example. I am happy to have the question taken on notice and answered later.

**The Hon. J.W. Olsen:** The total area of stage one is approximately 500 hectares, which will provide business and residential accommodation. Total development costs have been estimated over that eight to 10-year period. It is suggested that some 1 200 construction jobs will be created through stage one. In June, international expressions of interest were sought from organisations with the capacity to participate with MFP Australia in the development, funding, design and project management of stage one. The response to that was encouraging, including a good level of international interest.

In response to the Leader's question, areas of innovation will be energy demand management, water demand management, waste management, health, education services and security protection based on wireless and fibre-optic capabilities. That is the area of innovation proposed to be housed within the stage one development.

**The Hon. M.D. RANN:** I would like one element clarified. I know the answer, but sometimes the public do not know the things that we know. The other day I was at a function and I was promoting the MFP. Someone asked, 'Hasn't the name been changed to 'Technopolis' and why hasn't the sign been changed on the Main North Road in your electorate?' Of course, the MFP-Technology Park site is right in the middle of my electorate. I think the Premier floated the idea of its being renamed 'Technopolis'. I suspected at the time that that came from a few ex-Technology Park people who were affixed to that name. There was an announcement of that in early January, but I have seen nothing about it since. I understand that 'MFP' is the name and will continue to be the name. Can you confirm that?

**The ACTING CHAIRMAN:** That is what is on the statute book.

**The Hon. J.W. Olsen:** I can confirm that 'MFP' is the name and will be the name.

**The Hon. M.D. RANN:** Finally, the Government has said that the MFP will consist initially of eight centres of excellence. How many centres have been established so far? When will the remaining centres be established and what will be the nature of activity of each centre? I am happy to take that answer on notice.

**The Hon. J.W. Olsen:** I will give a reply now which can be supplemented if necessary. We have the Ian Walk Research Institute, which is now a badge centre of excellence through the MFP. To repeat: that \$1 million was handed over at a ceremony earlier this week at which the CEO was present. You have the centre for excellence in IT&T to establish at Technology Park. We are currently developing a business plan for the Centre of Water Quality Studies to be a centre of excellence in hydrology. I would argue that three

in nine months is not a bad start towards the eight in due course.

**The Hon. M.D. RANN:** People keep asking whether the MFP will be like those in Japan or London. People have mentioned Montpellier and Sophia Antipolis as the closest in terms of the vision for the MFP, its subsequent development and the time frame. Would you agree with that?

**Mr Kennan:** I suggest that the vision for the MFP is greater than either Montpellier or Sophia Antipolis. I respect both of those developments, but they are not putting what we would call 'community'—the heart and soul—into what they are developing. They are primarily economic developments. What we seek is economic and social development in an environmentally sustainable location. My visit earlier this year to Sophia Antipolis satisfied my curiosity that we are on the right path, because the people now are moving into Sophia Antipolis almost against the wishes of those who are developing the park area. But people want to live, work and be able to indulge in recreation activities in an environment around the one area without the major distance of travel being the tyranny that we all have to struggle with in the bigger cities.

I think we have a unique, very innovative and challenging vision, and if we get anywhere near it we will have global attention. I know that a lot of organisations throughout the world—in America, Europe and Japan—are recognising what we are setting about, and the directions we are now taking are those that they need to address as well. It is not just about one or the other of those components: we have to find a balance in society.

#### **Membership:**

Mr Foley substituted for Mr Rann.

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

Mr E. Phipps, Chief Executive Officer, Engineering and Water Supply Department.

Mr A. Killmier, Deputy Chief Executive.

Mr P. Cooper, General Manager, Headworks and Country.

Mr P. Norman, General Manager, Services.

Mr C. Wear, General Manager, Metropolitan.

Mr J. Killick, Director, Planning and Strategy.

Mr E. Haberfeld, Director, Corporate Finance.

Ms C. Bossley, Director, Human Resources.

Mr P. Prodanovski, Group Financial Controller.

Mr D. Drilling, Manager, Financial Planning.

**The ACTING CHAIRMAN:** Does the Minister have an opening statement to make regarding the EWS?

**The Hon. J.W. Olsen:** The EWS is emerging as what I would describe as a model Government agency for a number of leadership and reform agendas. During the year, it began the development of a comprehensive reform program to be progressively implemented over the next few years by transformation from a department to a Government business corporation, a comprehensive program of savings and efficiency improvements based on outsourcing and best practice through performance improvement, opportunities for private sector provision of assets on a build-own-operate basis, management of assets on principles of customer service, rate of return and minimising whole of life costs.

The financial result is outstanding. The operating profit for 1993-94 was \$60.3 million from revenues of \$424 million. This is a turnaround of some \$76.3 million from the previous financial year, which had an operating loss before abnormal

items of \$16 million. All EWS management and staff are to be commended on their dedication, leadership and their mature outlook to accepting change and wanting to be active in ensuring that change is a success. I cannot underscore that point too much. It is a credit of the professional way in which senior management staff of the Engineering and Water Supply Department have responded to the challenges in recent times.

Regarding the performance criteria of the department, I have referred to the financial returns: water quality levels have been improved; the real price index for water and sewerage rates fell; and customers recorded below average water consumption during the period. In relation to outsourcing, as a result of recommendations of the Audit Commission, the Government decided that, subject to favourable tender prices, the EWS will outsource operation and maintenance of metropolitan water and sewage treatment plants, operation and maintenance of Adelaide's water and sewerage network, access to and extension of Adelaide's water and sewerage main network, and provision of logistic support services based in the metropolitan area.

Two objectives, consistent with the Hilmer report, are: to achieve a more competitive financial position for South Australia through lower cost structures of EWS—that, of course, will improve South Australia's finances, a key objective of the Government—and to contribute to sustainable economic growth and development by achieving best practice service provisions and establishing a viable private water industry capable of competing in the Asia-Pacific rim. The economic goals and objectives have been locked into the EWS financial plan for the next five years. The key targets for 1994-95 include: an operating profit of \$88.1 million; distribution to Government of \$51.6 million; capital expenditure of \$82.6 million; and a reduced work force by 30 June 1995 to 2 127 employees.

Highlights of the capital works program to which I referred are: \$10 million for the rehabilitation of metropolitan sewage treatment works; \$5.1 million for the rehabilitation of Riverland highland irrigation areas; \$1 million for investigation and upgrading of Mount Bold dam safety; and \$1.4 million for Adelaide Hills and Barossa-Mid North water treatment, on the track to putting in place a BOO or BOO type scheme. The EWS program balances the need to improve business performance against overall economic development of the State through productivity improvements rather than revenue increases, and the sharing of the financial benefits to customers.

The Government and its agencies, such as EWS, are responding positively to the thrust of the Hilmer report, whereby Government trading enterprises are expected to achieve a basic and minimum return on assets employed. The Engineering and Water Supply Department, with restructuring and the move to a corporation, will be well positioned to meet those objectives in the future, ensuring that this State is not financially disadvantaged *vis-a-vis* any other State of Australia.

**Mr FOLEY:** The Government's decision to enter into detailed contractual discussions with EDS will have implications for information technology outsourcing right across Government. In 1993-94 the EWS budget included provision for the payment of \$9.5 million to Tandem for the completion of installation of the replacement computer infrastructure for the whole department, which represents a total investment of \$24.7 million. This was a major and carefully planned investment by EWS, designed to service the needs of the

department and its customers into the next century and to allow the department to make major savings through restructuring. Will EDS take over the running of this system, or does the Minister intend that EWS should operate outside the new world order as we will see with EDS?

**The Hon. J.W. Olsen:** There is a contract in place with Tandem for the introduction of the new IT&T system within the EWS Department. That contract has not been concluded at this stage, but it is being progressed and will be completed by about the middle of next year. Once it is in place and operating, it, with other Government agencies, will fit into the overall package.

**Mr FOLEY:** You say that it will fit in with the overall package: do you mean that it will fit in with the EDS arrangements?

**The Hon. J.W. Olsen:** The arrangements that the Government negotiates with EDS following the due diligence process, which will take from now until March/April next year to complete, will establish a range of parameters that will take into account existing arrangements where it is more beneficial to move in whatever areas are targeted first; that is, prioritising the areas. The EWS Department then, as a corporation, will fulfil its obligations to meet the overall whole of Government approach.

**Mr FOLEY:** How many staff are currently employed by the EWS Department to manage and operate the department's computer system; how many will be required after the outsourcing; and will those employees be guaranteed work within EDS?

**The Hon. J.W. Olsen:** At present 45 people are involved in this process in EWS, and it is anticipated that about half will move to an outsourcer. Those fine details and arrangements are yet to be negotiated. It is not possible to be definitive about the exact numbers who will transfer from EWS to the outsourcer. However, generous packages are being offered by EDS to people to transfer to EDS so that it can meet its commitments to the Government following the due diligence process.

**Mr FOLEY:** Will the billing of water rates for households and businesses be taken over and controlled by EDS, or will that function remain within EWS?

**The Hon. J.W. Olsen:** It is and will remain an EWS process. There has been no documentation or determination in terms of redirecting that process at this stage.

**Mr FOLEY:** I am trying to ascertain which Government agency is undertaking any outsourcing work with EDS. It seems that most Ministers are hedging their bets as to whether their agencies will be using EDS.

**The Hon. J.W. Olsen:** I will ask the Deputy Chief Executive to respond a little further to that question.

**Mr Killmier:** There is quite a deal of work to be undertaken before the contract is signed, but we will be moving into service level agreement arrangements. I understand that initially EDS will be taking over hardware rather than particular applications. Whether water rating as such forms part of the final transfer has yet to be worked through. It is rather early at this stage to be clear as to where that will end up.

**Mr FOLEY:** Does that mean that EDS will purchase the physical hardware? I am trying to work out the conflict in contractual obligations between Tandem and EDS.

**The Hon. J.W. Olsen:** There will not be any conflict in the contract with Tandem. My first reply indicated that the contract with Tandem will be completed by about the middle of next year. Once the contract with Tandem is completed,

that will extinguish the contractual obligations in relation to the installation of the Tandem system. Between now and March/April next year, the Government will be undertaking a due diligence process with EDS. The Office of Information Technology, in parallel, will also be pursuing arrangements with the aim of meeting the whole of Government approach and objective that we have put in place. As the Deputy CEO mentioned, there is a range of matters to be worked through at this stage. They will be worked through over the next six to nine months, but there will be no impact on the Tandem contract: it stands.

**The ACTING CHAIRMAN:** At page 102 of the Program Estimates there is an allocation of \$20 000 for de-snagging the Murray. How much of the Murray will be de-snagged for that sum; when is the work involved expected to be completed; will all de-snagging be undertaken during this financial year or will there be an ongoing program; and, if it is an ongoing program, how long is it likely to take?

**The Hon. J.W. Olsen:** I will ask Mr Peter Cooper, the General Manager of the country areas of South Australia, to respond to that question. I can assure you that both the member for Hart and I, as water skiers, have a keen interest in desnagging the Murray River. It is an impediment to good water ski-ing to have too many snags in the river.

**Mr Cooper:** That is an ongoing item that we have in our estimates every year. It is only for investigating the likelihood of having to desnag each year. If we have to go into a desnagging program, it can cost upwards of \$100 000 to \$150 000. So, it is put there for us to have money available each year to investigate the river. Generally after a high flow the bed and the channel move around and sometimes it sands up, and that money is to carry out investigations and soundings to see whether we need to redredge parts of the river that have sanded up and to take away snags, particularly from the navigation channel. So, it is an investigatory procedure. An amount of money is put there, and we will use it when we need it, especially after high rivers. If we need to desnag or take sand out of the river, usually that costs a lot more money and we have to seek a special single approval from the Government in that year.

**The ACTING CHAIRMAN:** Can the Minister provide some further information about this item, since it seems to be no longer relevant to the interests of the corporate structure and services provided by the EWS? Given that it is for navigational purposes, would the item perhaps be better located in some other budget line?

**The Hon. J.W. Olsen:** We can give some consideration to that, but I am not quite sure which line. Most Ministers are happy to take over programs and also funding of those programs. Basically, this is treated as a community service obligation by the EWS Department. I am not sure to which other line it would be better allocated. However, after the Committee hearings, if the Chairman has a point of view he would like to put on it, we would be pleased to look at it.

**The ACTING CHAIRMAN:** Has the Minister or any previous Minister, or a member of this or a former Government contemplated allowing the sand to be removed by private contractors for use in concrete manufacture or any other purpose whatsoever? Rather than it then being a cost to Government, it would be a benefit in that it would furnish royalties.

**The Hon. J.W. Olsen:** The proposition has never been put to me. I am not aware of any such proposals, and my advisers indicate that they are not aware of any. Once again, I invite you, Mr Acting Chairman, if you have some propositions to



put to me, to do so, and I, with support of the officers, will consider them.

#### Membership:

The Hon. Lynn Arnold substituted for Mr Clarke.

**The Hon. LYNN ARNOLD:** This will be my final question in my parliamentary career, as midnight tonight my coach turns into a pumpkin and I turn into an ex-pollie. Before I ask my question, I would like to thank you, Mr Acting Chair, and all members of both Houses for their camaraderie over the 15 years and six days (but who is counting?) that I have been in this Parliament. I have had the great privilege to be able to serve the people of this State, and I have appreciated that opportunity. With only four other members of Parliament who are currently serving having been elected earlier than I was in terms of the House of Assembly, it is with a degree of fond memories of the fray behind me that I leave and go on to new things and wish new members on my own side particularly well and my colleagues opposite not so well but, nevertheless, I hope that they have an occasional opportunity. I thank all members who have passed on their best wishes; I very much appreciate that.

My role as a local member has been one I have very much enjoyed over the years, and one issue has been of great concern to local residents and remains so: initiatives were made to try to address the problem, but the problem has not got any better in recent times, that is, the issue of the Bolivar sewage works. I see the Minister, under examination, anticipated the question, and I hope that was not a leak. What action is under way? What has been the cost of the programs to date to try to alleviate what is a serious problem for local residents? I do not wish to make light of it, because it is a serious problem that affects the amenity of the northern suburbs.

**The Hon. J.W. Olsen:** Having been elected to Parliament on the same day as the current member for Taylor and having had an association with him now for some 15 years in this Parliament, I would like to wish him and his family well in their future endeavours. Many politicians come and go in the process, but in my view to leave with integrity intact is one of the most important achievements of any politician. Lynn, you leave the parliamentary process in South Australia with your integrity intact. To that extent, I acknowledge the sincere way in which you have attempted to tackle your task in the parliamentary process and on behalf of people of South Australia—a task on occasions that was an extraordinarily difficult one. In particular, in recent years the size of the challenge and the task involved is not the point that I am debating, but the fact that you picked up the challenge on behalf of your Party under adversity and fought the good fight, so to speak.

So, you have no doubt earned the respect of your colleagues for the way in which you tackled that task. I repeat: as far as I am concerned, you leave the parliamentary process with integrity. That is one of the things I would hope to aspire to at the completion of my parliamentary term. I trust and hope that your future endeavours reap personal rewards for you and your family and that you prove to us all that there is a good life after the political process. Of course, the member for Giles will be watching with great interest to establish whether that is the case. I welcomed and congratulated your successor on his appointment. You would be interested to know that I wished him well. I wished him as much success

as I had as Leader of the Opposition in the State of South Australia.

It was with some anticipation that this question arose. I recently signed off on a series of questions on notice of recent weeks on this point. This year we have allocated \$360 000 to the plant odour control system, which is a very significant allocation. Given the state of the finances with which we have to grapple (as the honourable member would well understand we inherited) to keep programs such as that on track, despite the financial constraints, the Government nevertheless wishes to effect changes at the Bolivar sewage treatment works so that people in those northern suburbs do not have to contend with unpleasant and continuing odours.

**Mr Cooper:** Tackling the odours at Bolivar is a massive problem. We have spent a lot of money trying to beat the problem. We have installed chemical dosing equipment, and I think at one stage we were spending \$1 million a year on chemicals using a mixture of dissolved oxygen and chlorine to combat the odours at the front of the plant. As part of the process we have a series of big stone biological filters, which are another major source of odour. We have scoured the world. We have asked international consultants to try to give us a cheaper solution to the problem, because the ultimate cost to cover those filters, take the air away and purify it is about \$30 million. It is a massive cost.

We have tried to creep up on the problem by spending \$1 million in chemicals at the head of the plant. We have used the best technology available to try to slow down the biological filter arms, slow the rate of dosing of those stones, on all the best advice around the world, to try to minimise the odours. We are in the process of doing that. That is the next stage and, as the Minister said, it will cost \$1.6 million overall and \$360 000 this year to complete that task. If that does not work, we will have to look at two alternatives: first, cover them totally at a cost of \$30 million, which is a huge amount of money for us to find; and, secondly, change that part of the process, abandon it and install an activated sludge plant similar to that which we have at Glenelg, Port Adelaide and Christies Beach treatment works.

We are wrestling with that problem at the moment. There are some extra benefits in doing that as the effluent does not contain the algae that we have with our current process, and also we can achieve significant nitrogen reduction much more cheaply than if we kept the existing filters—and nitrogen reduction is what we are after with our discharge into gulf waters. We are looking at that now in a very concentrated way. We may abandon the filters, which would be an instantaneous solution to the odour problems from the biological filters. If we stick with the filters, it looks to me as though we are very much driven towards covering those filters and deodorising them.

**The Hon. LYNN ARNOLD:** I thank the Minister for his gracious comments which I appreciate. It has been great fun serving with him over all these years. I also thank him and Peter Cooper for their answers regarding the Bolivar works. I am pleased to hear that the matter is still being treated seriously by the EWS, because it is of great concern to the residents of the northern area who, I think, would quickly protest if there were any sign that the EWS was not taking their amenity seriously. I am certain that whomever my successor is will also keep vigilant on the issue because they will be required to do so—even if they do not have the particular interest that I had in pursuing the matter—by residents who will demand it, and quite rightly so.

I was interested to hear the comments on the outcome of the treatment methods that have been used to date and the other methods that are being considered, and also the comments on the cost of providing a roof over the ponds. Whatever the case, I understand the enormous cost factor of covering the ponds at this stage, but I was heartened—and I hope I interpreted the answer correctly—to think that that is not a closed option, that it is one that may still eventuate if other methods do not bring the desired results.

It is particularly important that the vigilance that the EWS is maintaining be continued, because the increased volumes, caused not only by population growth in Adelaide but also because over recent years more has been diverted to Bolivar than was previously the case, requires that to be so. I thank the Minister and Mr Cooper for the information they have provided. While for a period I will not directly be able to see the outcome of that, I will in the long term keep a personal interest in what happens.

**The ACTING CHAIRMAN:** I suggest that one way for the Government to de-snap and remove sandbars would be in a fashion which is not just revenue neutral but revenue positive, because at present we have to dredge the sandbars. To my certain knowledge, those sandbars contain a measure of gold, the royalty on which would be payable to the State. If the sand were used for commercial purposes in return for the removal of other snags and obstructions, we could end up with a river channel which is much safer for pleasure craft and an important part of tourism not only in my electorate but also in the electorate of the member for Chaffey. We will discuss that, and I thank the Minister for the invitation to provide him with information relative to that proposition after the Estimates Committees have concluded. I ask further whether any program exists, because I can discover none, for the filtration of water taken from the river for use in river towns? Is any work at all to be done on that program this year?

**The Hon. J.W. Olsen:** Regarding your comment, I think that matter should be directed to the Department of Environment and Natural Resources which, as I understand, is the licence holder in terms of the extraction of sand from the Murray River. In relation to the filtration of water for Murray River towns, a budget allocation has been included this year for the purpose of looking at BOO and BOOT type schemes for the provision of water filtration to the Adelaide Hills, the Barossa Valley and a range of Murray River towns. There is an allocation of \$150 000 in the budget this year for that investigation. A program is being developed, and my objective would be to let contracts for filtered water to Murray River towns by December 1997 under build-own-operate schemes.

The range of towns that we are looking at—and they must have a population greater than 1 000 people to render the project viable—are Renmark, Berri, Loxton, Waikerie, Barmera, Mannum, Murray Bridge and Tailem Bend, and those towns along the Tailem Bend-Keith pipeline and the Strathalbyn-Milang system. There is a substantial capital cost component to that of up to \$60 million. We are looking at a range of options that might bring about private sector involvement in the provision of those facilities. It is the wish and desire of the Government to implement the funds that have been allocated this year and investigate ways in which we can deliver the policy.

**The ACTING CHAIRMAN:** Will the cost of providing the filtered water have to be met by the users in those towns and/or local agencies such as local government, or will it be

provided in the same way as filtered water has been provided to the metropolitan area and other places in South Australia?

**The Hon. J.W. Olsen:** Those decisions have not been made. Part of the feasibility study is to look at a range of options and the funding of those options. My view is that there ought to be equity in the provision of basic services across South Australia, and one section of the community should not have an advantage that other sections of the community are denied. That is why the Government is looking at the provision of filtered water for the areas I have nominated: to get greater equity into the system. However, I would not want to rule out any options, and in any feasibility study or investigation all options ought to be considered prior to final determination.

**Mr FOLEY:** The member for Taylor has left the forum, but I will add to the comments of the Minister in wishing the member for Taylor well. I intend to make a more substantial speech on the member for Taylor during the normal sittings of the Parliament. Having worked for the member for some six years and having had the opportunity to work for him and with him in the Parliament, it has been a great apprenticeship for any politician. Whilst I am more than prepared to acknowledge the ability of the present industry Minister, this State has been well served by both the former and present industry Ministers.

I refer to page 249 of the Program Estimates. The performance indicators show that after successive years of improved performance the Government is now budgeting for a reduced level of service to customers. The response time to restore 80 per cent of burst water mains in the country has been allowed to slip from four hours to a target this year of less than eight hours. Will the Minister give the reasons for the substantial increase in the response time required for burst water mains in the country and what savings does he expect to receive from this measure?

**The Hon. J.W. Olsen:** The target is a standard target that has been in place for a number of years. I am not sure how long, but it is some considerable time—certainly during the period of the former Government. The outcomes, as the member will see from previous years (particularly during 1993-94), were well under target. The EWS Department will meet that same objective this financial year as in previous financial years.

**Mr FOLEY:** I take the point, but why does the target remain at nine hours if the department has come well under it in previous years? Why has the department allowed it to slip this year? Why is it not attempting to restore burst water mains in the four hour time span that it has achieved in previous years?

**The Hon. J.W. Olsen:** In the EWS Department, as with all Government agencies, the Government wants to have a customer focus in service, have a low cost in the provision of those services and, in a timely manner, respond to difficulties in the provision of the service. The EWS department will undertake a review shortly (as I mentioned earlier in the day in answer to a question from the member for Giles) on the provision of services to country areas of South Australia. That review will take into account a number of factors and will meet the corporate objectives, the business plan, that has been established.

**Mr FOLEY:** Is the Minister acknowledging, as your performance indicator highlights, that there will be a substantial increase in the response time for servicing burst water mains in the country?

**The Hon. J.W. Olsen:** No, I do not acknowledge that there will be any increase at all. I am absolutely confident that, with the performance of officers of the EWS Department, we will again come in well under target this year.

**Mr FOLEY:** Why is the target set so high?

**The Hon. J.W. Olsen:** Perhaps we should lower the benchmark. As its performance in recent years has been so good—from memory it has gone from seven hours down to six hours and then to four hours—perhaps we can reduce the overall target figure. That can be addressed in subsequent years, but I point out that the EWS performance has been exceptionally good and well below target. We can certainly provide the honourable member with interstate comparisons, in due course. By and large, when you look at the functioning of similar agencies interstate, EWS performs exceptionally well.

#### Membership:

Mr Clarke substituted for the Hon. Lynn Arnold.

**The ACTING CHAIRMAN:** Even though the member for Taylor has now left the Chamber, I add my remarks of best wishes for his retirement from politics and I wish him well in his new career. It is perhaps interesting and just as well that he sought to be discharged from the Committee at this point because, had he not signed himself out and been replaced on the Committee today, it would not have been possible to replace him tomorrow as he will no longer be a member of Parliament.

**The Hon. FRANK BLEVINS:** That is why we did it; we are not idiots. Significant changes have taken place in the EWS over the years. From memory, at one stage in the 1970s it had 8 000 or 9 000 employees—some very high figure. That was in an era of very large public infrastructure being built. In fact, when you examine it, the engineers in charge probably got carried away with themselves and built too much. My concerns are with the price of water as delivered to the consumer outside the metropolitan area and, as at least four or five members including the Minister would be aware, there is a considerable cross subsidy from the metropolitan area to the non-metropolitan area, and quite properly so. I ensured, when in positions of influence (unlike now), that that remained. Will the present Government give an absolute commitment that the same level of cross charging will continue, so that the price of water to the consumer outside the metropolitan area continues to be the same as to the consumer within the metropolitan area?

**The ACTING CHAIRMAN:** I remind the member for Giles that it does not cost as much to deliver water to river towns as it does to the metropolitan area.

**The Hon. J.W. Olsen:** The member for Giles, when he was Minister, would not have been able to give an absolute commitment *ad infinitum* that any position would remain constant. Nothing remains constant in this world, necessarily. However, you can be assured that the Government is concerned to protect the interests of country people.

The Government is also aware of the significant subsidies in the metropolitan area for the provision of transport, for example. If one looks at a whole of Government approach, one sees that there are aspects of minimising those costs in the respective areas while maintaining services. So, no, I cannot give the honourable member an absolute guarantee that in the next four years that will remain the case; he would not expect me to give that absolute guarantee, nor would he or could he have given it as a Minister.

The Government is very mindful of the requirements of country people. Certainly, I am, given my background and involvement. The Government will be reviewing water pricing prior to Christmas this year, in the November-December period. It is the norm for the EWS Department every year to review its water pricing policy and for that to be declared to operate from 1 January the next year.

As in previous years, a review of water prices will be undertaken this year, in the period leading up to November or early December. However, that should not be read in any other way than that it is the normal review. I mention that only because I would hate anyone to beat it up into a story that has no substance—which someone might be eager to do. I emphasise that the former Treasurer and his Government each year checked its water pricing policy: this Government is doing the same—no more, no less. The outcome will be announced in due course.

**The Hon. FRANK BLEVINS:** I am now very alarmed at the response. Contrary to what the Minister said, the previous Government did give cast iron commitments, and I was prepared to give them on its behalf, that there would be no change in the present provision which has prevailed as long as anyone can remember and which delivers water to country subscribers at the same price as that provided to metropolitan subscribers. Not only do I believe that the Minister can give that commitment but I believe that he should give it.

If the Government has no intention of changing that cross subsidy, irrespective of the final price in the metropolitan area—and there would be an equivalent increase in country areas—it should say that. I agree that that happens annually. However, as I said, I believe that the Government can give that commitment; the Minister can give that commitment. If Government has no intention of changing the present cross subsidy, it should say so and not play fast and loose with the country residents. Has the Minister anything to add to his previous answer to reassure country people that we are not looking down the barrel of a \$60 million-odd increase spread amongst us?

**The Hon. J.W. Olsen:** To save the honourable member pumping out a press release to alarm all country members and constituents between now and 1 January, when an announcement will be made, I will give him an absolute commitment that there will not be the complete removal of subsidies to country people. There is a \$20 million-odd cost at the moment in water and sewerage rates and cross subsidies to country areas. That is nowhere near the level of subsidy provided in the metropolitan area for the operation of the metropolitan transport system.

**The Hon. FRANK BLEVINS:** I agree; that is what I keep telling you.

**The Hon. J.W. Olsen:** So will I also keep highlighting that fact. The member for Giles can be assured that I will continue—

*The Hon. Frank Blevins interjecting:*

**The Hon. J.W. Olsen:** There is a challenge from the member for Giles for me to have as much clout as he did in the provision of services. The proof of the pudding will be on 1 January next year when the water pricing policy is announced. Suffice to say, there is a subsidy there now and the subsidy will continue.

**The Hon. FRANK BLEVINS:** The subsidy will continue?

**The Hon. J.W. Olsen:** Of course the subsidy will continue. You cannot, with one stroke of a pen, remove a \$20 million subsidy provided to the country areas of South Australia when they are going through the current economic difficulties.

**The Hon. FRANK BLEVINS:** I am not reassured and I want to be reassured. I am looking for reassurance: I am not looking for a row. The Minister said that there will not be a complete removal of the subsidy. Is it possible that there will be a phase-out of the subsidy?

**The Hon. J.W. Olsen:** The Government has no plans, and there has been no discussion and no agenda for the removal of the subsidy.

**The Hon. FRANK BLEVINS:** If that had been said in the first place I would not have had palpitations.

**The Hon. J.W. Olsen:** Your first question referred to an unequivocal commitment from here on in that there—

**The Hon. FRANK BLEVINS:** You have just given it at the end; don't spoil it.

**Mr FOLEY:** Will the Government accept recommendation 14.2 of the Audit Commission report that industrial customers be charged explicitly for the disposal of trade waste through the sewerage system?

**The Hon. J.W. Olsen:** I draw the honourable member's attention to an answer I gave in Parliament recently, where I commended the Trade Waste Section of the EWS for the outstanding work that it had done, in a voluntary way, in encouraging industrial users to change their work practices or their mode of operation to minimise discharge into the system. That has eliminated the need for major capital infrastructure costs for those businesses to remove trade waste discharges. It has also brought about significant benefits.

A win-win situation has been developed as a result of the outstanding work of officers of the EWS, who made themselves available on call, in some instances seven days a week, to give advice to companies as to how they could and should change their practices. That has worked exceptionally well. If we can achieve the continued cooperation of industry, with the support of the Trade Waste Section of the EWS, and continue the very significant gains that have been made, we will avert the need for the draconian imposition of trade waste charges.

The former Government had the option of putting in trade waste charges, as has the current Government. However, if through voluntary means we can progress the matter further, there will not be a need to do that. That is in everyone's interest and it meets one of the Government's key objectives: to keep down the costs of operating businesses in South Australia so that we return to being a low-cost State—a State for further investment for economic development.

**Mr FOLEY:** I refer to the Program Estimates (page 243), which indicates that the number of full-time equivalents employed by the EWS will fall from 2 956 to 2 127—a reduction of 829 employees. Can the Minister advise in which specific areas these reductions will occur and which activities are being wound back by the EWS and subsequently outsourced?

**The Hon. J.W. Olsen:** I draw the honourable member's attention to the financial statement released by the Treasurer earlier this year in Parliament. That statement identified four key areas that were to be outsourced: the operation and maintenance of metropolitan water and sewage treatment plants; the operation and maintenance of Adelaide's water and sewerage network; access to and extension of Adelaide's

water and sewer mains network; and the provision of a logistics support service based in the metropolitan area.

They are the four key areas that the Government has identified for outsourcing opportunities. We have made changes at the Ottoway workshop. We will be advertising the Ottoway workshop facility in the next few weeks, seeking expressions of interest for economic and industry development on that site. The outsourcing provisions of the Government are currently being put in place and will take effect between now and December 1995.

**Mr FOLEY:** Will the Government accept recommendation 14.1 of the Audit Commission and establish an independent authority to set water and sewerage rates?

**The Hon. J.W. Olsen:** No.

**Mr FOLEY:** That is a categorical 'No', I take it?

**The Hon. J.W. Olsen:** I don't think I can make it any clearer.

**Mr FOLEY:** The Audit Commission recommends a target rate of return on assets of 4 per cent. This would be approximately \$110 million on the asset value of \$2.764 billion. This year the Government took an extra \$51 million from the EWS. However, as the previous practice of paying an amount off debt did not occur this year, will the Minister explain how he intends to manage the EWS debt if the Government continues to take an increased dividend from it?

**The Hon. J.W. Olsen:** The honourable member would well know that the Federal Government, through the Hilmer report and COAG, has adopted the principles of Hilmer. That means that Government trading enterprises around Australia need to operate on a minimum rate of return of 4 per cent on commercial operations and, in South Australia's case, we must try to achieve break-even on country operations by the turn of the century.

It has been made quite clear that, if a State Government does not respond to the Federal Labor Government's policy initiatives, it will pay a financial penalty in the disbursement of funds from Canberra. In any event, the Audit Commission also recommended, consistent with Hilmer, the same rate of return—4 per cent on commercial. It is a principle that both Labor and Liberal Governments around this country have adopted. Whilst we have some concerns about the way in which the Federal Government is approaching Hilmer, nevertheless it is something that we agree to in principle. However, we will negotiate some of the parameters at the next COAG meeting, which is scheduled for, I think, 18 and 19 February 1995 in Adelaide. I understand that the Federal Government was intending to introduce the Hilmer legislation into the Federal Parliament in November this year. It may still do so and let it lie on the table until after the COAG meeting in February next year. I am unsure of those arrangements.

In relation to the debt, the asset value is at least \$4.5 billion. We have a debt level of \$960 million. The debt equity ratio, I would therefore argue, is reasonable. We have another imperative in South Australia—the legacy foisted on us by the honourable member's colleagues when a lack of prudential management over recent years allowed the State Bank to get into the position that it did, with the ensuing financial debacle that descended upon South Australia.

We have an economic imperative, as I am sure the honourable member would acknowledge. Had the Labor Party won government at the last election, it also would have had to address the debt levels of South Australia and ensure that the Government stabilised them and put in place a debt management strategy to make sure that with Standard and

Poor's and Moody's we had a better debt credit rating to reduce debt servicing costs on an annual basis. That is an absolutely overriding principle and imperative of Government.

What we are attempting to do both through the EWS and the Electricity Trust of South Australia is to have funds that can be identified as surplus to requirement and can be used for the purpose of off-setting unfunded liabilities—whether they be superannuation, retirement of debt or recurrent budget expenditure costs. That has been responded to in terms of the Financial Statement of the Treasurer and the budget that was brought down several weeks ago by the Government. In relation to the 4 per cent return on asset, that is a target that we seek to put in place through a range of productivity and efficiency gains.

**Mr FOLEY:** I refer to the Hilmer report and the Federal Government's attempt to bring about a uniform State approach to Hilmer. It would appear that at the last COAG meeting the Premier had a major point of disagreement with the Federal Government, which was at odds with his colleagues in New South Wales and Western Australia. I am a bit confused. What is your position on Hilmer? Do you accept the principles of Hilmer regarding competition? Is it your intention to pursue the rationalisation of the EWS and ETSA in line with Hilmer or do you have a position somewhat less than the Federal Government's position on Hilmer, given the somewhat confused position the Premier puts forward on Hilmer?

**The Hon. J.W. Olsen:** The South Australian Government has, in principle, agreed to the thrust of Hilmer. With the implementation of Hilmer, the protection of indentures which are particular to South Australia with regard to Federal legislation is absolutely essential and important. The Moomba gas field, Roxby Downs and a range of other indentures need protection in relation to the Hilmer legislation. A number of other questions need to be resolved, and rightfully the Premier would argue South Australia's interest. I am at one in respect of those matters. In relation to the EWS and ETSA, the principles of competition policy are here; they are adopted and they are being implemented. In my opening remarks I indicated that the EWS in particular was proceeding very effectively to implement those policies.

**Mr FOLEY:** Will the corporatisation of the EWS allow the organisation to establish its own Treasury function to minimise the cost of capital, or will this function continue to be controlled by the State Treasury?

**The Hon. J.W. Olsen:** Under the Public Corporations Act the Minister, in consultation with the Treasurer, will adopt a corporate and strategic five year business plan for each agency. The new Water Corporation will be managing its debt, but it will be in line with the signed-off corporate and strategic business plan between the corporation, the Minister and the Treasurer.

**Mr FOLEY:** Does the EWS have any target for asset sales? What major items-activities are currently being considered for disposal?

**The Hon. J.W. Olsen:** At this stage Ottoway is the asset that we have identified for sale. As I mentioned earlier, expressions of interest will be called for shortly. That facility will be vacated by December this year in general terms. What we want to do with a facility and asset such as that is not only to get a response in terms of a dollar asset return but also to use it in the best way we can to get industry and economic development in South Australia.

**Mr FOLEY:** Has the Minister had any discussions on proposals to sell off water treatment plants, or any other major activity currently being undertaken by the EWS?

**The Hon. J.W. Olsen:** A number of companies in recent times have put a range of proposals to the Engineering and Water Supply Department and me, but other than the outsourcing provisions I have nominated and the asset sales—to which I have also referred—there is no agenda in place at this time.

**Mr FOLEY:** Can the Minister give a categorical commitment and assurance to the public of South Australia that the massive outsourcing programs being undertaken in the areas of the EWS will not in any way reduce the quality of service provided to the consumer and that there will not be a reduction in the quality of the service provided by the outsourcer, as compared to that quality previously supplied by the Government officers?

**The Hon. J.W. Olsen:** That is certainly the objective of the Government, to maintain the quality of service. Strategic control and the provision of those services will be maintained currently by the EWS and, hopefully, from 1 July next year, the corporation.

**Mr FOLEY:** That is less than a categorical assurance. You seem to be perhaps hedging your bets a little in terms of giving that assurance. So, perhaps in trying to explore this area a little further: what quality control measures will the Government put in place to ensure that the providers of services to the EWS do, indeed, meet the accepted standards of the EWS?

**The Hon. J.W. Olsen:** As we go through the outsourcing arrangements, as we put in place the contractual agreements, the standards will be set. The strategic control in relation to those will be maintained with the corporation. I would have thought that the private sector wanting to perform in this area would be very mindful of the fact that everybody would be watching the delivery and the performance of those services. If you have a good, healthy, competitive base, that in itself is a discipline for the provision of those services. But, if the honourable member wants me to give an absolute guarantee in relation to the thousands of services that would be undertaken in any one year, that every one of them will measure up to the average of last year, that is an impossible ask.

**Mr FOLEY:** I had the concern of the public of South Australia in mind when I asked that question and I am simply—

**The Hon. J.W. Olsen:** We will get it right, have no fear.

**Mr FOLEY:** With the collective leadership of the EWS in a captive forum, I would like to conclude tonight, again mindful of the time, with a very short story about a recent experience I had in dealing with the EWS. My wife and I are building a home and, of course, it must have water connected. To do that I had to pay a connection fee through my builder of some \$600, which I accept was a fee that I had to pay. I went down to my block one day to have a look at the progress of my home and found that the EWS had indeed connected my water meter. The only problem was that it was about a metre inside where my driveway would be.

Given that this house was at a stage where it had been bricked up, it was fairly evident where the garage was. I was somewhat concerned to have a water meter in the middle of my driveway, for the obvious reasons. So, I decided to ring the EWS as a private citizen. Mindful of the fact that I am both a member of Parliament and a shadow Minister, I felt it was important that I not reveal my identity. So, just as a

member of the public, I telephoned an officer in your head office who put me onto another officer, who put me onto another officer, who explained to me how there was nothing I could do about it, that the connection simply had to be where it was. I said, 'Well, I want it shifted, please, because I don't want to have to dodge around the water meter every time I drive in at night.'

The response to that was that that would cost me another \$500, \$700 or \$1 000 to shift it. I said 'I've just paid \$600,' to which the officer replied, 'Well, that's just to connect it, not to position it.' I thought 'This is a bit odd,' so I telephoned my builder, who assured me that this happens about one in two experiences that this particular builder has with the EWS. Not deterred, I decided to persist in this issue with the EWS, and I kept getting put around to various officers in the EWS head office. Finally, they suggested I telephone the superintendent or the person in charge of my local depot and, again, he put me onto another person, who kept telling me I had to pay \$1 000.

In the end—after speaking, I think, to eight people—I asked the ninth person, 'What possible avenue do I have, as a member of the public, to get redress?' He suggested I telephone my local MP. At that point I gave up and I still have a water meter that is protruding somewhat into my driveway. I raise that not for the obvious humour of it, but is this the level of service that the general public can expect or should expect from the EWS when they are building a home?

**The Hon. J.W. Olsen:** No, it is not, and that is the level of service you are asking me to give a commitment on in the previous question about private sector equality of service. We will treat it as not being a vested interest question involving your own property but as a general question.

**Mr FOLEY:** Absolutely, no vested interest, Mr Chairman; it was simply highlighting an issue that I had experienced, but my builder tells me it happens with one in two homes he builds.

**Mr Wear:** That is certainly not the normal situation; it is not one in two. The normal position for water meters is located front centre of allotment, and I imagine this would have been put in as a pre-laid service, so that it is just a matter of putting a water meter on. If there is a request to shift this, a statutory fee applies. We are currently looking at means of trying to relocate these a lot more cheaply. The normal procedure for us is actually to have to completely relay the service from the main. The tradition is that we have the services at rightangles to the main, such that we can locate the mains cock, which is an actual tap at the main. So, from the point of view of relocating it, a lot of work is involved. We are currently looking at cheaper ways to do this by just running the mains actually along the boundary and the fee, therefore, can be reduced to something a little over \$300.

**The ACTING CHAIRMAN:** I inform the member for Hart that I myself had similar experiences when members of his own Party were in Government and, furthermore, when I attempted to raise those matters in an Estimates Committee both Ferguson and Hemmings, on separate occasions, prevented me from doing so. I trust he understands the latitude he has been allowed to raise this matter—which I believe to be quite serious—as an anecdotal illustration of the difficulties which members of the general public can have if they find themselves in that sort of predicament.

**Mr FOLEY:** I certainly appreciate the indulgence that you showed and I am very appreciative of that. Mr Chairman, in the interests of time, I would ask if I could have leave to read into *Hansard*—

**The ACTING CHAIRMAN:** You do not need leave. If you would like to read some questions onto the record and seek answers to them—

**Mr FOLEY:** Yes, I am happy for answers to be supplied in *Hansard* at a later date, if the Minister would concur.

**The ACTING CHAIRMAN:** It would be the Minister's office and his officers, I am sure, who will provide the answers to *Hansard* for you.

**Mr FOLEY:** Yes, Sir.

**The Hon. J.W. Olsen:** If the questions are printed, I am happy for the printed questions to be incorporated in *Hansard*, and I will then get replies in *Hansard*.

**The ACTING CHAIRMAN:** Can I save the Minister some time? Our Standing Orders do not allow that course of action.

**The Hon. J.W. Olsen:** In the fullness of time, let the member for Hart speak.

**Mr FOLEY:** On 25 February an inquiry was commenced to determine the scope of activities and responsibilities relating to infrastructure procurement, management and maintenance which should be incorporated into the Minister's portfolio.

Has the Minister received advice from this task force; what was recommended; and will the Minister make a copy of the report available to the Parliament?

Can the Minister table a copy of the report of the inquiry into the water supply at Strathalbyn, Milang and Clayton announced by the Premier on 28 February, and what were the recommendations of this inquiry?

Has the major cause of outbreaks of algae near Milang been identified, and is there a connection between the high incidence of these outbreaks and nutrients entering the Murray River as a result of primary production practices?

**The ACTING CHAIRMAN:** I advise the member for Hart that the Minister cannot table that, but he can distribute it to members of the Committee for reference later.

**Mr FOLEY:** Are programs included in this year's budget to meet the undertaking given by the Premier on 28 February that action to solve the algae problem at Strathalbyn, Milang and Clayton would proceed?

Will the Minister confirm that the environmental levy on sewerage accounts will be extended for a further five years; will the levy continue to be 10 per cent of normal sewerage accounts; and what will be the forecast revenue to the year 2000?

Will the Minister outline which works now in progress, and any new works to be commenced during 1994-95, are being funded by the levy?

What will be the policy for selecting works to be undertaken under an extension of the levy, and how will the Minister ensure that they are dedicated to accelerating the improvement of environmental aspects of sewage management and not simply used as a way of raising funds to augment the department's capital works program in this area?

Finally, will the Minister undertake to present to Parliament next year a reconciliation of the funds raised by the levy during the first five years and the expenditure of those funds and a detailed program showing estimates of revenue and expenditure for the five-year extension of the program?

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

Mr D. Gellard, Acting General Manager, ETSA.

Mr J. Groves, Acting Director Corporate Affairs, ETSA.

Mr T. Kallis, Director, National Electricity Project.

**The ACTING CHAIRMAN:** Does the Minister wish to make an opening statement in respect of ETSA?

**The Hon. J.W. Olsen:** Yes, Mr Acting Chairman. ETSA has had the best financial performance in its 48-year history with a surplus of \$251.2 million. As a result, ETSA is now well placed to meet some of the enormous challenges that the Federal Government's microeconomic reform—the Hilmer report—as well as the national grid system will place on the organisation. Commercial and industrial tariffs are now below the national average; reliability is amongst the highest in Australia in the provision of service; and ETSA's improved all round performance and work force reduction of almost 1 000 employees has come to the credit of the management and staff of ETSA with minimum disruption.

ETSA has supported the Government's highly successful initiatives of delivering a conducive business climate in South Australia. Its best ever financial performance has allowed tariff reductions, which will return up to \$37 million to the State's economy. With a corporate structure, ETSA will be well placed to compete in the national energy market, for which legislation will be introduced early. That is an example of removing a cross subsidy, because the small business sector was subsidising residential consumers. The removal of the cross subsidy meant that not only did small business go down 22 per cent, but residential tariffs, particularly off-peak, also went down, and there was a win-win position. It is a classic case of removing cross subsidies without impacting adversely on any other sector.

**The Hon. FRANK BLEVINS:** I will not go through the same preamble as I did with a similar question on the EWS. I should like a categorical assurance from the Minister that the Government has no intention of removing the cross subsidy from metropolitan users to non-metropolitan users. I have particular fears in this area as that has just happened in Victoria. The National Party went off its face, but in the end it agreed. However, the National Party may change its mind. May I have a categorical assurance that the cross subsidy from metropolitan to non-metropolitan users will remain? I am not looking to put out a press release; I am looking for reassurance.

**The Hon. J.W. Olsen:** As regards both water and power, we are not proposing to put in place the same structures as have been put in place in Victoria. I think some of the structures that have been put in place will be counter productive to the outcome that they want. After a somewhat tortuous discussion previously, let us just put 'ditto' for this answer in relation to power.

**Mr FOLEY:** The position of General Manager of ETSA has been filled in an acting capacity for some time now, and I appreciate that the Acting General Manager is present. Will the Minister inform the Committee about the Government's intentions in terms of formalising that position?

**The Hon. J.W. Olsen:** Several weeks ago interviews were undertaken and a successful candidate was identified. However, the package required was more than the Government was prepared to put in place. A further series of interviews will be conducted shortly. I understand that three people will be interviewed for the position of CEO. I hope that that will be conclusive and that an announcement is made shortly thereafter.

**Mr FOLEY:** Could the Minister briefly outline the program to corporatise ETSA? What does it involve? What are the key target dates, and what are the key targets?

**The Hon. J.W. Olsen:** The Government has put in place an electricity sector working group, which is out of the

Department of the Premier and Cabinet. It is independently chaired by Dr Andrew Holsman of Ernst and Young, and it is looking at a range of implications in respect of the national grid and corporate restructuring of the Electricity Trust of South Australia to meet the objectives. In addition to that, a consultancy has been put in place. That consultancy, which is expected to be completed by mid November, reports to a Cabinet subcommittee. It has reported on one occasion, it will again next week or the week after, and then it will report again towards the end of October.

The consultancy's work program has been agreed to, it is in place, and it will be completed before the end of the year. As was identified in the Governor's speech to Parliament, it is proposed to introduce legislation to give us the capacity to make some changes as recommended by the Audit Commission to meet the Federal Government's trading enterprise approach.

**Mr FOLEY:** The Audit Commission on page 270 recommended that the organisation be reviewed to increase efficiency and that the organisation be split into single objective units. I appreciate that that is what the consultancies are about. Is it the Government's view to split the organisation, as has been done in Victoria, and sell off each single business unit, or is it the Government's intention to maintain these business units under the umbrella of one corporation?

**The Hon. J.W. Olsen:** In the life of this Government, I do not envisage that there will be any privatisation component in respect of these groups. If the honourable member is talking about privatisation in relation to marketing, distribution, transmission and generation, that is not proposed by the Government. Of course, we have not received the consultants' reports or the ESGW report. What we propose to do is put in place a legislative framework that will have individual business units operating within a corporate structure. I repeat: privatisation is not on the agenda.

**Mr FOLEY:** Will the Minister make copies of the reports of the working group and consultancies available to the Parliament?

**The Hon. J.W. Olsen:** They will be incorporated in any subsequent decisions of Government. Obviously, the Government, the Cabinet and I as Minister will have to assess those reports. Therefore, they will go to Cabinet and be part of the Cabinet process, and to that extent confidentiality will be maintained. I am more than happy to arrange a briefing for the member for Hart in respect of this matter and the legislation just prior to its introduction; and I will also arrange a briefing on other significant moves to be undertaken within ETSA. I am more than happy to arrange for that confidential and private briefing.

**Mr FOLEY:** One of the complexities of the corporatisation of ETSA and the new regime will be to define clearly the commercial interests of the organisation and how they conflict with the regulatory functions. How does the Minister intend to deal with the conflict of interest that will surely arise in a corporatised ETSA between its commercial and regulatory interests?

**The Hon. J.W. Olsen:** Discussions have been held for some time now with the Attorney-General, who looks after business and consumer affairs, for the transfer of licensing and regulatory functions to that office. Those discussions are continuing, but it has been decided to separate the licensing and regulatory functions from ETSA's operating function.

**Mr FOLEY:** What was the total number of staff employed by ETSA as at 30 June, and what is the projection for staff numbers as at 30 June 1995?

**The Hon. J.W. Olsen:** That figure is 3 230, and currently it is 3 344.

**Mr FOLEY:** So, in relative terms there is only a minor reduction in the work force?

**The Hon. J.W. Olsen:** Yes, projected between now and 30 June 1995, according to the business plan that has been endorsed by the board.

**Mr FOLEY:** Can the Minister confirm reports that meter readers are now working weekends?

**The Hon. J.W. Olsen:** Yes, as I said in answer to a question in Parliament several weeks ago, some meter readers are working on weekends.

**Mr FOLEY:** Is that required because there is a shortage of meter readers? Is this an example of the reduction in services that result from out-sourcing?

**The Hon. J.W. Olsen:** It might be well be a reflection of the enthusiasm and the determination of the private sector.

**Mr FOLEY:** How much has ETSA allocated this year for the undergrounding of powerlines? How will priorities be established? I know the Minister has had discussions with a colleague of mine, Senator Chris Schacht from the Federal Parliament, and it is an issue for which he has a very real passion, and it is one that I share.

**The Hon. J.W. Olsen:** The sum of \$2.75 million has been allocated this year, and a commitment has been given for \$2.75 million next year. The allocation will be through the Powerline Environment Committee, which considers applications from local government and, along with joint funding from local government, undertakes the undergrounding of powerlines. We have reached a somewhat general agreement with the Unley Civic Council for it to undertake part of the tree trimming operation in its area, and the transfer of some of the functions and costs from ETSA to Unley if that agreement is finally endorsed. It is a breakthrough, and it is an example that other councils could follow.

Senator Schacht raised the matter of powerlines with the honourable member. No-one in this room would disagree with the undergrounding of powerlines—the only impediment is the cost of doing so. We are undergrounding our powerlines at a greater rate than any other State in Australia. ETSA's track record is better than any other State in this regard, and we will maintain that momentum.

If the Federal Government wants to contribute money for undergrounding power lines, we will be delighted to accommodate and to proceed on a more aggressive undergrounding of powerlines in South Australia. Senator Schacht suggested to me that we should put a surcharge on power bills to achieve this objective. I said that that is not an objective of the current Government, that we are on about reducing the cost of the provision of power to business and residents in South Australia and that we will continue the process of undergrounding powerlines, keeping ahead of the rest of the nation. If someone develops a scheme and the underwriting of that scheme to accelerate this process, I will be the first one to support it.

**Mr FOLEY:** I share the Minister's view that we should not impose a levy for such an activity. I will read the following questions into *Hansard* for the Minister to consider later. Has the Government defined its objectives for participating in the national grid; what are those objectives; and how will they be implemented?

The Audit Report states that ETSA should have maximum flexibility to use alternative fuels to take advantage of relative price fluctuations. Under the new arrangements for the supply of gas, will ETSA have the ability to use alternative fuels and

what room will a new corporatised ETSA have to negotiate lower gas prices? What are the plans for the future operation of Leigh Creek, and has the Minister accepted the recommendation of the Audit Commission that ETSA should consider a wide range of options for the mine in evaluating investment options?

Will the tree lopping program be carried out by ETSA employees or by contractors, and what steps are being taken to ensure that employees or contractors engaged on this work are trained on pruning techniques? Last year, a review was conducted by the Department of Environment and Land Management on the relationship between the Outback Areas Trust, ETSA and Cowell Electrics, which operates a number of stations for the Outback Trust. Will the Minister provide advice on the results of the review; will ETSA continue to provide assistance to the Outback Trust to run these power supplies; and has ETSA considered accepting responsibility for these supplies?

Will the Minister table a copy of the report commissioned by the Electricity Trust and announced by the Minister on 30 April into the long-term health dangers at the Leigh Creek coal mine, and will he advise what recommendations were made by the consultants? Has the trust satisfied the four improvement notices which are reported to have been issued by the Department of Labour? Will the Minister outline the claims being made by the 41 past and present residents of Leigh Creek who believe their health has been directly affected by working at the mine?

From 1 July 1994, new tariffs for domestic and commercial electricity were introduced. What is the projected cost of production per kilowatt hour for 1994-95 and how does this compare with domestic and commercial tariffs? What is the total annual increase in revenue as a result of the increase in the domestic tariff by 1.3 per cent? What is the total annual decrease in revenue as the result of the decrease in the small business tariff by 22 per cent? What is the total annual decrease in revenue as a result of the decrease in the off-peak tariff by 15 per cent?

Page 48 of the June financial statement indicates that the Government has factored into forward estimates a significant but controlled program for the sale of assets. Will the Minister indicate whether the Government has made any request to the board of ETSA to review the sale of assets, and has a program been developed? Are there any plans or are any plans being developed to privatise any of the activities now undertaken by ETSA; and, if so, what are the details and will this involve the sale of any assets? Will ETSA review land holdings, and will there be a program of asset sales?

Has the program of using private sector meter readers commenced; who is undertaking this work; how many consumers are involved; and where are they located? What is the basis for payment of contract meter readers; how are payments calculated; does ETSA provide any equipment such as motor vehicles or clothing or pay any other expenses; and does ETSA ensure that readers are paid at least the appropriate award rate? What is the anticipated average cost of reading each meter, and how does this compare with the cost per meter of readings being undertaken by staff? Will ETSA screen the credentials of meter readers to ensure that persons with an unsuitable background, such as a history of larceny, are not engaged on this work? How will ETSA ensure that meter readers accurately record readings and report any actions by consumers, such as tampering with meters, designed to reduce or avoid charges? How many motor vehicles are operated by ETSA; how many officers have been



approved for home garaging; and does ETSA have an arrangement for leasing vehicles or are they all purchased by the Electricity Trust?

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

#### ADJOURNMENT

At 6 p.m. the Committee adjourned until Thursday 22 September at 11 a.m.