

**HOUSE OF ASSEMBLY**

Tuesday 27 June 1995

**ESTIMATES COMMITTEE A****Chairman:**

The Hon. H. Allison

**Members:**

Mr I.F. Evans  
 Mr K.O. Foley  
 Mr R.G. Kerin  
 Mrs E.M. Penfold  
 The Hon. M.D. Rann  
 Ms P.L. White

*The Committee met at 11 a.m.***Witness:**

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

**Departmental Advisers:**

Mr John Cambridge, Chief Executive Officer, EDA.  
 Mr John Frogley, General Manager, Prudential Management.  
 Mr Jim Hallion, General Manager, Group Planning & Coordination.  
 Mr Geoff Marlow, General Manager, Group Services.  
 Mr Bob Munzberg, General Manager, SA Centre for Manufacturing.  
 Mr John Shaw, General Manager, Business Investment.  
 Mr Don Swincer, General Manager, Regional Development.  
 Mr Terry Tysoe, General Manager, Business Climate.  
 Ms Marilyn Harlow, General Manager, The Business Centre.  
 Mr Mike Krasowski, Financial Controller.

Economic Development Authority, \$26 043 000  
 Minister for Industry, Manufacturing, Small Business and Regional Development and Minister for Infrastructure—Other Payments, \$43 215 000

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

**The Hon. J.W. Olsen:** Yes, Mr Chairman. In introducing the budget estimates for the EDA I believe it is worthwhile to make some remarks about the Government's economic development strategies with particular reference to those areas which are the responsibility of the Economic Development Authority. The Government has a commitment to economic development as its key priority and has set several long-term goals and targets for economic growth. They are a GSP growth of 4 per cent, private investor growth of 7 per cent, growth in employment of 2.8 per cent and real growth in export earnings of 15 per cent. They are significant targets because on average we have not attained those targets in the past 20 years.

To achieve them, the State needs to have significant increases in the level of investment, productivity and profitability. The Government's aim is to improve the business climate to make it more conducive to profitable business activity and facilitate the development of new export markets. The economic imperatives, as we see them, are to restore the health of the State's finances by reducing the debt burden to manageable levels (the strategy is on target in that respect), to broaden the economic base of the State and to provide greater certainty for the delivery of essential services.

The economy has recently shown promise of recovery in areas where the recovery is sustainable. Over the year to May 1995, total employment in South Australia increased by approximately 13 000, whilst private sector investment in plant and equipment over the year to the December quarter 1994 increased by 33 per cent in real terms. Whilst there has been strong growth in private investment, the latest ABS figures indicate real gross State product has remained static. The ABS has noted, however, that its GSP figures are subject to revision. In fact, ABS officials flew from Canberra and had discussions last Thursday with Treasury officials in South Australia. GSP growth is expected to average around 3 per cent next year as the restructuring of the economy takes full effect.

To assist in achieving the recovery, the Government has adopted an economic development strategy comprising five key elements: enhancing and developing competitive South Australian enterprises which are responsive to changing international demands; building an attractive business environment; encouraging new investment; improving productivity and encouraging innovation; and improving infrastructure.

The Government understands the need for South Australian companies to continue to develop a strong export culture and the role which dedicated export marketing resources can play to achieve the necessary level of global awareness in a company. As such, there are a number of grant and tax rebate schemes which are available to exporters to assist companies to increase their overall level of exports. An attractive business environment is essential to this State's effort to attract investment, strategic management and marketing know-how, technology and finance from other States and overseas.

The Government has a major commitment to improve the operating environment for business choosing to locate in South Australia. It will support in whatever way necessary the needs of local and appropriate new businesses establishing in South Australia. The Government has already facilitated a number of initiatives to enhance the business climate of the State. As a result, companies are starting to take notice of the opportunities available in South Australia and to consider seriously the State in their future investment plans. The Government is also pursuing a range of specific strategies to ensure a major improvement in business climate including electricity tariff reductions (whereby small business now pays up to 22 per cent less for electricity than previously) and reform of industrial relations and workers' compensation arrangements.

The recent turnaround in private sector plant and equipment performance is strong evidence of increased business confidence. The investment attraction efforts of the EDA are directed towards projects which will enhance the State's trade performance or attract critical investment into the State. South Australia is targeting the projects which fill gaps in our capabilities, add value to our raw materials and build value

for new industries we aim to establish. Concentration will be on small to medium projects (between \$10 million and \$100 million) based on current technologies and relationship structures which facilitate overseas market access, introduce an international perspective to management, and encourage development of quality and service.

While the Asian market is a key focus for export development within the EDA, America and Europe remain key sources of investment, and this is reflected in the international business priorities of the EDA. The EDA has had some notable successes during 1994-95 both from a business investment perspective as well as an operational point of view. I indicate that the EDA, during financial year 1994-95, attracted and facilitated investment totalling \$331 million. Direct jobs created from that investment totalled 4 552, with a further 826 jobs being retained as a result of EDA activity. Potential investment projects that are in the advanced negotiation and feasibility stage are worth some \$670 million, and there are potential new job opportunities of about 8 239.

Examples of projects for 1994-95 include Motorola, 400 jobs and \$20 million investment; and Australis Media Limited (Galaxy), 200 jobs by June 1995 (in fact, I think that it has passed that and is 251 currently) of which only three come from interstate, 1 000 jobs by the year 2000, 4 300 jobs through flow-on effects to the year 2000, and \$30 million investment. Westpac National Loans Centre will create 900 jobs in a 12-month time frame, starting with 450 jobs on 1 November this year. The EDA is working to ensure that we facilitate that start-up of 1 November. The clear outcome of the Westpac National Loans Centre will be 1 500 jobs, with further announcements to be made in due course. With Sola Optical, there is a \$3.5 million investment, and Transitions Optical, 30 new jobs; and retention of R.M. Williams headquarters in Adelaide, 200 jobs retained.

*Mr Foley interjecting:*

**The Hon. J.W. Olsen:** It will not be when the full details are explained. The British Aerospace military vehicles contract will involve 122 direct jobs, 100 contract positions and \$3 million in investment; AWA Defence Industries, Project Parakeet, 80 direct jobs, and P-3C Orion, 100 jobs over five years; Southcorp relocation of its heating and cooling division, 140 jobs and \$7 million in investment; Castalloy, \$1 million in investment and 70 jobs; SABCO, 80 new jobs.

In addition, the EDA, from an operational point of view, has collocated with the Minister's office into Terrace Towers. That development included the establishment of the International Business Centre to facilitate the requirements of visiting international business people. It has consolidated the Government's initiative in integrating the Centre for Manufacturing and the Business Centre so as to provide a comprehensive and integrated set of services to business that dovetail very neatly now into AusIndustry programs being formulated in conjunction with the Commonwealth Government.

The Business Centre has relocated to new premises on South Terrace. We have introduced a strong corporate planning culture. We have established the Sydney representative office to handle both investment attraction requirements as well as Sydney Olympics 2000.

Other achievements include the signing of the MOU with the Northern Territory Government and the development of a business plan between EDA and the Department of the Northern Territory. We have prepared a small business policy package for consideration by Government bodies representing small business in this State. The EDA has also facilitated the

revision of membership of the Government's Small Business Advisory Board; acted as a principal negotiator with the Commonwealth Government regarding implementation and operation of the AusIndustry bilateral agreement, to be announced tomorrow; and prepared an automotive industry strategy for consideration by the Government.

We have undertaken, in conjunction with Premier and Cabinet and Tourism, a comprehensive review of the State's overseas representation, resulting in a restructuring of office coverage and significant changes to operational methods and requirements. That initiative culminated in the Overseas Representatives Conference, which was held in Adelaide last month. Each overseas office will now have a business plan and reporting requirements for representatives overseas. We facilitated the participation of several South Australian companies in the CEBIT IT and T trade fair held in Hanover, Germany, during March; facilitated the participation of 20 Australian companies at HOFEX 95 in Hong Kong during May; facilitated South Australian participation in the Australia Today Promotion in Indonesia; organised and conducted both the Hong Kong Grand Prix 1994 promotion and the Business Asia 1995 Conference; released revised guidelines for private sector provision of infrastructure; prepared guidelines for the private sector on contracting out and competitive tendering; prepared the bid upon which the State won the right to host the APEC Ministers' meeting, to be held in September this year; successfully organised the Industry, Technology and Regional Development Ministers' meeting in Adelaide in March; and prepared a draft marketing and communications strategy, including preparation of materials relating to a major new marketing campaign.

Physical infrastructure is critical to South Australian's future development and competitiveness. The Government recognises two major infrastructure proposals having a critical long term impact on the future—the rail link to Darwin and extensions to Adelaide Airport. Through the EDA, the Government is working with the Federal Government and the Northern Territory Government to ensure those vital infrastructure projects proceed at the earliest opportunity, and we certainly welcome the bipartisan support that has been evidenced in connection with those projects.

The 1995-96 budget reflects the Government's economic development targets and strategies, and provides carefully targeted programs designed to promote economic growth and increase diversity in the State's economic base. The emphasis of the programs is directed towards improving the competitiveness of our export oriented business, ensuring that the appropriate infrastructures are available to support those industries and that they have a competitive business climate within South Australia to operate.

For the 1995-96 year, the EDA has been provided with \$25.88 million to fund operating expenses. The Government has made an allocation for the Economic Development Program in 1995-96 of \$40.5 million. The allocation will be targeted carefully towards key economic development priorities in infrastructure and industry development.

Of these funds, some \$26.9 million will be made available to the EDA to support high priority initiatives, including upgrading Adelaide Airport (\$10 million to be allocated to support funds available from previous programs to bring the total set aside for Adelaide Airport development, including the extension of the runway, to \$20 million in 1995-96); supporting South Australian companies to attain and sustain international competitiveness through tailored enterprise improvement programs in conjunction with the Federal

Government through AusIndustry; continuing to provide investment incentives to key industry sectors for investment by existing and new industries; providing targeted support for regional business development; delivering initiatives to assist small business growth; improving trade and representation linkages with key overseas markets; and encouraging infrastructure and business climate initiatives which improve the attractiveness of South Australia as an investment location.

The Government has maintained an allocation of \$13 million in new funds in 1995-96 for the South Australian Development Fund (SADF). The SADF, administered by EDA, is aimed primarily at encouraging investment leading to significant wealth generation and the creation of long term sustainable employment. The appropriations for the 1995-96 budget to the EDA reflect the Government's commitment to make economic development its key priority.

**The Hon. M.D. RANN:** I am pleased there was some recognition of a bipartisan attitude on a range of projects. We in the Opposition have been pleased to talk with the Prime Minister on a range of projects, and to talk with other Ministers, including Laurie Brereton, about the upgrading of the airport. Last October the South Australian Opposition used its votes at the national conference of the Labor Party to change the policy of the Labor Party, provided that policy change involved an upgrading of the Adelaide Airport. There was some degree of cynicism, particularly from the Premier, about whether there would be any commitment from the Federal Government as a result of that policy change. That commitment is now in place and has been announced publicly. We have also been prepared to talk to Federal Ministers on behalf of the State Government, and on behalf of the State, concerning the Orion refurbishment and other defence industry matters, and also with Neville Wran, Chairman of the Darwin committee in relation to the Alice Springs to Darwin railway, which would have substantial economic benefits to South Australia, the Spencer Gulf region and the nation.

The Liberal Government's target for economic growth is 'real growth in gross State product of 4 per cent per year', to be met in the Government's first term of office. That is 4 per cent each year, and that was stated in Dean Brown's Liberal Party policy speech on 26 November 1993. I note in the comments on page 233 of the Program Estimates that, 'South Australia has historically lagged the national economy in recovery but has rebounded more strongly once recovery is under way.'

Last year in the Estimates Committee, Minister Olsen said he did not concede the point that the Government's growth targets would not be met, and he said that the target of 4 per cent 'is a target which we can and will attain'. I was very pleased to hear that and I have publicly endorsed a number of the things that he has done as Minister, and will continue to do so, because it is in the interests of the State. That promise was 4 per cent per year in the Government's first term of office.

In the year to December 1994, covering this Government's first full year of office, South Australia fell short of that target by 4 000 per cent. Instead of 4 per cent growth, we had a growth rate of 0.1 per cent. Of course, we all hope that that will improve. At the same time as there was 0.1 per cent, Australia surged ahead with 5.5 per cent GDP growth, and over the first 12 months of the Brown Government South Australia had the lowest rate of growth of any jurisdiction in Australia. Even the second slowest growing State or

Territory, Tasmania, had 3 per cent economic growth compared to our 0.1 per cent.

The latest ABS figures—and I know the Treasurer has had meetings with the ABS about them—showed a deterioration from that position in the year to March 1995, indicating that when the Australian economy grew at a healthy 3.8 per cent, South Australia was the only State or Territory to go into negative growth of 1.5 per cent seasonally adjusted. In three of the past four quarters, South Australia has recorded negative growth, and we all know that three consecutive quarters of negative growth constitute an official recession which none of us wants to see. That is why I am keen that we are positive in Opposition. That is why we have supported the privatisation of the Pipelines Authority, BankSA, SGIC and so on.

Today the Minister has mentioned a growth rate of 3 per cent. Last year he said he believed he could attain the 4 per cent per year that the Premier promised. Does the Minister acknowledge that the Government will not achieve its promised 4 per cent growth target, and what is the Government's revised growth target to be achieved per year during its first four years in office?

**The Hon. J.W. Olsen:** As I mentioned in my opening remarks, the targets set by the Government are ambitious. Even when the Leader was a member of the former Labor Administration, that Government did not at any time attain the targets we have set. I acknowledge that they are ambitious. We are going through a fairly fundamental and substantial restructuring and refocusing of the economy of South Australia. It will take some time for the investment won last year to find its way through the figures and be seen within the community of South Australia. Those projects include Motorola and Australis, with its new building to be opened in the next month or so, which is currently streaming up to its maximum employment numbers as nominated.

There are also the other companies that I have indicated are locating in or expanding to South Australia. There is a lag time between when those commitments are made public and when the dollars are spent so that the benefits are received within the South Australian economy and show up on the figures. I suggest that the Leader be a little patient: we surpassed the investment dollars we sought to obtain last year. I remind the Leader that I previously stated in the House that, between October and March this year, the Economic Development Authority was negotiating approximately 80 major projects, and that the dollars associated with those 80 projects have shown a 33 per cent increase (some a 25 per cent increase) over previous figures. We will not win all those projects: I simply indicate that it is a far cry from the 12, I think it was, on the books when we took over in November 1993. We are currently negotiating with a significantly accelerated number of companies and working hard to build up those figures. So, I put it in that context.

The other point I want to make is in relation to the ABS figures, which the Leader has concentrated on for some time. My understanding is that every statistic included in the March figures of the ABS had a positive outcome except the aggregate which, of course, has a balancing or compensating factor that is put into the equation by the ABS. It is that which has brought about the figures to which the Leader has referred. I understand that even the office of the Federal Minister (Ralph Willis) has acknowledged that there is a factor in the figures at which it needs to look closely. That is why officers of the ABS were prepared to fly to Adelaide last week to have discussions with Treasury in relation to the

compilation of those figures, particularly the aggregate figure. I draw a distinction between that and the individual statistics that were released on that occasion.

Nobody underestimates the size of the task to rejuvenate the economy of South Australia. It is an enormous task and one that will be successful only if we continue to get some encouragement and bipartisan support, so that industries wanting to expand in South Australia or industries thinking about relocating to South Australia know that there is some policy certainty and predictability for their investment over time; that they have bipartisan support in South Australia; and that we get the fundamentals right and get the operating costs in this State down to give us a competitive advantage over the other States of Australia. Only in that way will we meet the targets that we have established.

**The Hon. M.D. RANN:** In response, I point out that the Minister will get that bipartisan support. He, the Minister for Tourism and, indeed, the Premier had that support when the Premier wrote to me to ask me to get an extension of Adelaide Airport. However, bipartisanship is a two way track. I spent hours locked in rooms with Laurie Brereton, the Prime Minister and others to negotiate the deal for Adelaide Airport, and I got exactly the deal that I was asked to get—and then I was bucketed for doing so. Bipartisanship and policy certainty have to be a two way track. In relation to this argument about the ABS, when the Minister came in and how many projects there were, the fact is that last year during the Estimates Committee the Minister said that he would achieve an annual growth rate of 4 per cent, but he is now saying it is an ambitious target, over the four years of the Government, and the Minister reflected on the previous Government.

During 1993, a period in which South Australia and Australia were just emerging from a very long and deep recession, we in South Australia grew by 3.8 per cent, well in touch with national growth rates. That 3.8 per cent in the last year of the Labor Government is on the same ABS figures that show 0.5 per cent negative growth today. Given the objective circumstances, this was obviously a major achievement in 1993 and it is simply extraordinary that, during the highest rates of national economic growth in 10 years we have been experiencing over the past 18 months, South Australia has gone back to negative growth.

In relation to the ABS statistics, the ABS applies deflators to State economies, recognising their specialisation in different activities. This is to prevent factors such as a rise in the price of motor vehicles, whitegoods or wine from distorting the real growth of GSP. The nominal rise in GSP was of the order of 5 per cent, but this does not measure real economic growth, merely the rate of price inflation.

The ABS's implicit price deflators have always influenced the measurement of economic performance. For the Treasurer's claim to be credible, given that he was on the *7.30 Report* knocking over the ABS, he would have to accept the possibility, using his own logic, that in 1993, the last year of Labor in which the ABS tells us the South Australian economy grew by 3.8 per cent, the real position was probably much better than that.

The question of EDS has dominated the Estimates Committee over the past week, and certainly last week the Opposition received very little joy from the Premier when he refused to answer questions about the date of the contract signing and the value of the contract. A year ago during the Estimates Committee we could not stop the same Premier talking for hours about his personal role in the EDS deal and about the massive benefits of the EDS deal to South Aus-

tralia. Some of them had been cobbled up overnight to get them ready for Estimates day. In that spirit of bipartisanship, does the Minister stand by the Premier's claim that the EDS deal will 'directly create 1 300 new jobs in the IT industry in South Australia' as well as 'an additional \$500 million in economic activity over the next nine years'? Does the Minister stand by the Premier's claim on that?

**The Hon. J.W. Olsen:** I was pleased that the Leader at least acknowledged that there was growth of 5.8 per cent in gross State product for the March quarter (that is a raw figure) which was the second highest in Australia. I desist from stressing the point, but the Leader seems to be using the statistics like a drunk uses a lamp post—more for propping up than for illumination.

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

**The Hon. J.W. Olsen:** It is very relevant to today. The Leader would at least acknowledge that the performance in the rural sector over the past couple of years has not been good, particularly in exports, because of seasonal drought conditions and commodity prices. That directly affects the budgetary outlook and position of South Australia. Hopefully, with the opening that we have had this year, that will improve substantially and will assist the statistics to which the Leader refers. The EDA is not responsible for seasonal conditions; that is primary industry and others.

**The Hon. M.D. RANN:** Does the Minister stand by the Premier's claim that the EDS deal will directly create 1 300 new jobs in the IT industry in South Australia and an additional \$500 million in economic activity?

**The Hon. J.W. Olsen:** I note that the Leader asked a number of questions of the Premier and the Deputy Premier in relation to the EDS contract. As they indicated to the Committee, the contract is in a delicate stage of negotiations between the Government and EDS. We would expect the Economic Development Authority to ensure that part of the objective of contracting out data processing of 150 Government agencies and departments is its being able to establish an industry base related to the IT industry in South Australia and, coupled with that, economic development for South Australia. That is the purpose in pursuing the course that the Premier has established. It would be inappropriate for me to canvass in detail the basis of the negotiations being held at this very time between EDS and the Government negotiators but, with all contracting out and outsourcing and even with asset sales, the Economic Development Authority is seeking the best economic outcome for South Australia.

I note that the Leader publicly gave bipartisan support to the sale of the Pipelines Authority to Teneco. We were able to get a commitment from Teneco to put its operational and technical headquarters for Australasia here in South Australia. The Advance Bank deal in respect of BankSA was not only a good deal on price but was also able to maintain the branch network throughout country areas of South Australia and the employment levels of existing employees within South Australia. This enabled us to get support from the Reserve Bank for trading as BankSA for a further four years and, in addition to that, decisions on commercial loans, particularly to the business community, are being undertaken in South Australia and not taken interstate. Whether it is an asset sale, contracting out or outsourcing, I assure the Leader that the Government has a very clear focus to ensure that through the resources of the EDA we leverage up maximum economic development and job creation in the State, and so it will be with the EDS contract.

**The Hon. M.D. RANN:** We have these very bullish statements from the Premier, although the Minister is not obviously prepared to confirm the 1 300 jobs and \$500 million in economic activity—and I do not blame him, because he wants his credibility to remain intact. The Premier makes these very bullish, photo-opportunity announcements on a whole series of matters, on some of which the Minister does the work. We had a huge rush of testosterone last year during Estimates with announcements of 1 300 jobs, \$500 million in economic activity, and a contract worth more than \$700 million. What involvement has the Minister had in these EDS dealings and does he stand by the Premier's latest revised estimate that it is a \$700 million deal?

**The Hon. J.W. Olsen:** I have advised the Committee that, as is well known, Cabinet has a subcommittee in relation to the IT outsourcing. I am a member of that Cabinet subcommittee and have an opportunity to put the economic development perspective in the course of those deliberations. I also point out that the Economic Development Authority and officers within EDA, including the CEO, are involved in discussions with the key negotiators through the Office of Information Technology. So, there is an opportunity for economic perspective input to the deliberations.

**The Hon. M.D. RANN:** It has never been spelt out whether the 1 300 jobs amount to a net job increase. I am happy to put these questions on notice. Over what period will the 1 300 jobs be created, and will it be a steady 100 jobs per annum over the contract period? What elements does the Government, including the EDA, see as comprising the \$500 million in additional industry development resulting from the EDS deal if we are to believe what the Premier said in last year's Estimates—and I cannot find any businessman or businesswoman around town who does? No-one believes it will be 1 300 jobs, that it will be \$500 million in add-on or that it will be a \$700 million deal. The Minister is not prepared to say so, but I respect that obviously Cabinet confidentiality and unity are involved.

**The CHAIRMAN:** More important may be the question of ministerial responsibility for which the Premier assumed in the first day of Estimates. If the Minister feels that the responsibility more appropriately rests with the Premier, I have no objection to his refusing to respond.

**The Hon. J.W. Olsen:** I noted at the start of the discussion that there had been quite extensive questioning on EDS in two former Committees. I have no doubt that in any announcement on the successful conclusion of a deal with EDS the press release would specifically detail those questions that the Leader has just posed. As has been the case with all other successful investment attraction deals that we have put together, we have indicated the dollar investment, job creation and multiplier effect in the community. I will raise with the Premier the need to include that in the press release on the successful conclusion of the EDS contract for the information of the Leader.

**The Hon. M.D. RANN:** By way of supplementary comment, we have had discussions with the ABS in the past week, and it stands by its figures, despite all the negotiations.

**The Hon. J.W. Olsen:** It includes the 5.8 per cent growth for the March quarter.

**The Hon. M.D. RANN:** You talk about the drought, but motor vehicle exports are down 17 per cent and exports overall are down. There are other issues as well. Despite my bipartisan support to you as Minister and to your team, who are an excellent team—I think you have very good people in the EDA, as I had, and I pay tribute to John Cambridge; I do

not want to put the kybosh on his career by praising him, but he does a very good job with a great deal of energy, as he did at the Centre for Manufacturing—there is a central problem that I am picking up in the business community, not just here but interstate, and that is: who is dealing with what? I believe that the economic development program for the EDA has been cut, and that does not make sense in terms of trying to achieve the 4 per cent growth rate.

Meanwhile, the Premier's Department is being built up with a huge increase in resources to the SA Development Council under the good professor. The point is: who is running the economic direction of this State? At the moment there is confusion in the market place about who is doing what and where and who is doing the coordination. I know who I would rather was doing it, but that is another issue. The fact is that people are confused about the separate roles and responsibilities. Has the economic development program for the EDA been cut?

**The Hon. J.W. Olsen:** I will respond to the series of questions incorporated in the Leader's comments. The South Australian Development Council has a clear and specific role to establish key long-term strategic directions for the economic development of South Australia and to identify and advise the Government on major economic initiatives to be implemented over a period of time. Its focus has to be and is on the longer term economic improvement programs.

The implementation of the Government's programs and of the strategic plans being developed by the SADC is the responsibility of the Economic Development Authority. The EDA and its officers are the hands on operators; they are the deliverers of the services to the business community. There is no confusion in my mind about the role of the Economic Development Authority. It interacts with the business community; it is a customer focused and oriented service. I thank the Leader for his acknowledgment of the performance of officers of the EDA and the professional way in which they tackle their task, because that is right.

For example, Terry Heng from Motorola, Rod Price from Australis and Gary Tooker from Motorola—the list goes on—who deal with other private sector companies and Governments, not only nationally but internationally, will acknowledge the professionalism of the way in which the EDA and its officers, when completing a deal, follow through for the implementation of that deal. Indeed, we are now getting third party voluntary endorsement from these people, because they have said to us, 'If you are bidding for a deal or project and you want support and endorsement, we are prepared to talk to any company that is looking at investing in South Australia and indicate that you not only make the bid in a time sensitive and responsive way but, on being successful, are prepared to follow through and implement it.' In other words, it is totally customer focused and oriented. That is to the credit of the way in which the EDA has developed its strategic plan in South Australia. I am confident that that will bear fruit for South Australia.

In relation to the program, as the Leader would be aware, funds have been carried forward where there is a lag time between commitments given. On page 42 of the Estimates of Receipts and Payments for 1995-96, the revised estimates, under the line 'Premier and Minister for Multicultural and Ethnic Affairs,' where the economic development program line is incorporated, the total recurrent payments for 1994-95 were \$41 million and the estimate for 1995-96 is \$41.5 million.

**Mr KERIN:** Given the importance of the car assembly and components sector to South Australia, what is the Government doing to assist the automotive industry in this State?

**The Hon. J.W. Olsen:** The Government's role in encouraging development of the automotive industry is in the process of being updated following a paper that was prepared within the EDA. In April an automotive discussion paper was released to automotive companies to seek their input and to ensure that subsequent policy initiatives are soundly based. After allowing time for feedback, the EDA will review the strategy for the automotive industry, including developing South Australia's approach to the 1996 review of the Federal Government's car plan. One of the first things that we want to do is to ensure that that review takes place, because there has been some suggestion that there is no need for the 1996 review.

During 1994-95 the EDA assisted in the creation of 546 new jobs and the retention of 40 existing jobs, with new investments totalling \$55.23 million in the automotive sector. Those statistics indicate a significant upturn in the automotive industry following many years of the reverse. The automotive industry is important to South Australia in terms of existing jobs and as the generator of future jobs. The generation of those 546 new jobs is good news.

Under the automotive program delivered by the South Australian Centre for Manufacturing, \$5 million is allocated annually to assist the South Australian automotive industry. In addition to financial incentives to attract interstate and overseas companies to establish operations in South Australia, the automotive program provides assistance for established firms to improve their international competitiveness. Within the past 12 months a range of assistance measures has been provided, including incentives to engage consultants to increase productivity and quality levels within companies; the establishment of a jointly funded automotive testing facility which provides services that individual companies could not afford to set up by themselves; industrial engineering services to create additional plant capacity; assistance to direct excess plant capacity towards export markets; assistance with the costs of funding capital during initial investment stages; prototype modelling using advanced manufacturing technology; and die change competitions to promote the concept of just in time delivery and inventory reduction.

In 1994 the South Australian Government, in partnership with the University of South Australia and Mitsubishi Motors, established the Australian Centre for Automotive Management (ACAM). ACAM's primary objective is to identify and disseminate management techniques which promote international competitiveness in the Australian automotive industry. In addition, the South Australian Centre for Manufacturing (SACFM) has programs of assistance dedicated to the tooling and foundry industries, both of which provide key inputs to the manufacture of automotive components and completely built up vehicles.

In recent times we have seen a jobs decline in the automotive industry, and that has now been turned around. The industry now contributes substantially to jobs growth in South Australia. I made some reference to the fact that employment in the automotive industry fell by more than 15 per cent between 1989 and 1993 but has since picked up by 13 per cent. That occurred as a result of the range of programs that I have referred to and the 546 new staff and that \$55 million worth of new investment that I mentioned.

**Mr KERIN:** Will the Minister outline how the Economic Development Authority has assisted economic growth in South Australia?

**The Hon. J.W. Olsen:** I canvassed in my opening remarks a number of components of the economic growth pattern and the EDA involvement in that. In partnership with the private sector, the EDA aims to encourage the growth and development of internationally competitive businesses. Given that tariff barriers have come down—and will clearly stay down—and given that our migration in South Australia and Australia is what one would describe as static, there is not a growing consumer domestic market. Therefore, we clearly need an international focus. We have provided a comprehensive and integrated range of services, support and assistance to all businesses throughout South Australia in their quest to attain that international competitiveness that will be a requirement.

Over 50 per cent of the program dollar expenditure has been to existing South Australian companies to enhance their international competitiveness with new plant and equipment or to expand their operations in South Australia. We have also sought to create a conducive or unique business climate as a major competitive advantage over the other States. If we are to get businesses relocating from the eastern seaboard to South Australia, there simply has to be a substantial financial reason, that is, a lower cost of operation. I have already identified measures that we have put in place as they relate to power bills and water bills that have reduced the cost to business, and announcements will perhaps be made later today involving further reductions.

The EDA's achievements for the 1994-95 financial year show that, as I said, there was \$331 million worth of investment, with 4 552 new jobs and the retention of 826 jobs. Mr Chairman, I insert in *Hansard* a purely statistical table that breaks down that achievement into sectors—automotive, food, IT and T, traded services, defence and space, primary industries and other.

Sector	Investment (\$m)	Estimated New Jobs	Estimated Jobs Retained
Auto	55.23	546	40
Food	10.27	228	270
IT&T (excluding EDS)	86.60	1 517	19
Traded Services	14.20	-	-
Defence and Space	7.00	145	30
Primary Industries	0.65	23	-
Other	156.77	2 093	467
TOTAL	331.0	4 552	826

**The Hon. J.W. Olsen:** In order to provide a more integrated range of service and advice, the Government decided to incorporate SACFM and the Business Centre into the EDA. The Centre for Manufacturing became part of the EDA on 1 July and continues to operate at its Woodville premises. As part of the EDA structure, the centre has been able to integrate more closely with and support more effectively regional development and investment attraction initiatives. The mission of the centre is still to assist the development and growth of enterprises in both the manufacturing and traded services sectors in the pursuit of that international competitive base through the delivery of a comprehensive and integrated range of measures.

In 1994-95, SACFM worked with 388 South Australian companies and provided some 740 improvement programs. During this period, the companies assisted showed the following substantial financial and operating improvements:

total sales increased by 7.7 per cent (\$129.8 million lift); export sales increased by 5.5 per cent (\$13.1 million lift); gross profit increased by 12.67 per cent; net profit before tax increased by 45 per cent; return on total assets increased by 32 per cent (from 8 to 10.6 per cent); imported purchases declined by 10 per cent (representing an additional \$14 million sourced from Australian suppliers); quality accreditation rose by 6 per cent in the sample group; and employment increased by 4.4 per cent against a productivity improvement of 3 per cent. I think that clearly underscores the performance of SACFM and the way in which its improvement programs are assisting industry in South Australia.

The Business Centre was formally incorporated into the EDA in February this year. It is now able to access the corporate services of the EDA and has been expanded to provide a wide range of services to small business. The centre is to become an integral component of the Commonwealth-State AusIndustry initiative which, as I mentioned, will be launched tomorrow.

**Mr KERIN:** Given the strong reliance, particularly for jobs, that South Australia has on small business, what is the State Government doing to address the needs of the small business community?

**The Hon. J.W. Olsen:** In terms of the bottom line, from 1 July we took electricity tariffs down by 22 per cent for small to medium businesses; we removed the cross-subsidy from small businesses to residential consumers; and took \$37 million worth of cost off the bottom line of small to medium businesses. I stress that that was not as a result of increasing residential electricity tariffs across the board: it was through productivity and efficiency gains in ETSA. What we then sought to do, meeting both the Audit Commission and Hilmer recommendations ahead of the agenda, was to remove that cross-subsidy.

I am pleased to say that this year there will be further movement of some 5 per cent to assist small to medium businesses. That is ahead of the performance of the Victorian Government in reducing the cost of power, and that is the way we want to keep it. In addition, in terms of water costs for small and medium businesses, particularly the commercial sector, as a result of the fees announced there has been a reduction in some categories of 14 per cent in real terms and cross-subsidies removed once again from business subsidising residential consumers.

There are some real bottom line benefits that we have assisted small business with. The Business Corporation, as I have mentioned, has become a fully integrated business unit of the EDA and has taken on an increased and, one would hope, more productive role in supporting the development of small firms of significance in the South Australian economy. We have entered into an agreement with the Commonwealth and other States to coordinate the delivery of a range of Government services to business in AusIndustry which will enable the business community to become more readily informed about Government services and will also provide small businesses with improved access to business assistance programs. Significant progress has been made towards streamlining and simplifying delivery of business services with the establishment of the computerised BizHelp and BizLink programs.

The business centre will act as the hub of a network of shop fronts in metropolitan and non-metropolitan areas, through which small business can obtain information about

a range of support services. That is an extension of programs with which the former Minister had some involvement.

To assist the Government address the needs of small business, the Small Business Advisory Council, which was established earlier this year, is working effectively and is looking at some specific policy areas that need to be considered by the Government. The council's role is to provide advice to the Government on issues of concern to the small business community, and provide a two-way channel of communication. The council has developed a work program that focuses on a number of issues which the small business community has identified as of particular importance, including, for example, access to finance, compliance with Government regulations, education and training, access to information, research and development, and innovation. Those papers are currently being prepared and considered by Government agencies, with input from the business community and interested groups.

**The Hon. M.D. RANN:** I should like to record our pleasure at the Minister's role in the Westpac negotiations and in successfully gaining 1 000 jobs for South Australia. The Minister is genuine in his desire to ensure that South Australia has a reasonable share of the record economic and employment growth which is occurring around the country and which, to be truthful, largely passed us by in 1994 and 1995. I also respect the fact that, in his speeches to business and industry, he does not resort to saying, as the Premier does, that South Australia is out-performing the rest of the country, which only causes derision in Canberra, Sydney and Melbourne. The Premier's claims in his BOMA speech of a 4.5 per cent job growth have been laughed out of court.

There has been some bad press, including locally, about the Westpac deal, which is a shame because we all want to see jobs here. A recent report in the *Australian* cites the deal as involving a benefit to Westpac equivalent to forgiveness of around 30 per cent of Government taxes and charges for which it would normally be liable. There have also been claims that we offered Westpac more than double the amount offered by the New South Wales Government. People in other States will be jealous of the deal, but I noted in this morning's *City Messenger* Alex Kennedy's comment:

It would seem that Westpac indeed got a good deal; a lot better than the Government is willing to admit. John Olsen's comments that we only offered \$3 million to \$5 million more than NSW should be taken with a stiff drink.

She goes on to say:

We have very publicly established a long-term dangerous pattern—one of waving an open cheque book, determined to outbid others. This attracts the private sector for the wrong reasons. They mainly come for what the one-off deal means to their costs, not because Adelaide is necessarily the perfect, or even right, choice of location.

It is not just the interstate press: there is also some local comment in that regard. I would be interested to know whether you stand by that \$3 million to \$5 million more than New South Wales, which Alex says should be taken with a stiff drink, or whether the other comment that we offered more than twice as much as New South Wales is true. More important than all that, is the Minister concerned about the possibility, particularly under pressure from the other States, of the Commonwealth's cutting grants for South Australia? The Commonwealth has to be careful. I have mentioned over the years that States do not wilfully erode their tax base to attract industry from each other and then attempt to shift the cost of providing services back to the Commonwealth.

I have been involved in negotiations. I was involved in the submarine project and in others, and I know how important it is for a small State to attract business. That is why I set up the enterprise zones in places such as Port Pirie, Whyalla and Port Augusta. Do you have any concerns about any retaliatory measures that involve larger States and the Commonwealth? Can you put a concrete lid on rumours that we offered twice as much as New South Wales?

**The Hon. J.W. Olsen:** I am glad that Alex has provided the basis on which the Leader can ask some questions in the Estimates Committee today as a source of information. As for the stiff drink, as long as it is scotch, I do not mind having a stiff drink occasionally. I want to answer, once again, a series of questions in the Leader's preamble. Much has been done in South Australia to rejuvenate the economy. As I have said consistently, much more needs to be done. We have to work at that with determination and diligence. If we do, we will reap the rewards at the end of the day.

In relation to the protestations from Treasurer Egan and Bob Carr, none is humbled so much as he who is overseas on an investment-attraction mission, and in the meantime 1 000 jobs walk out of that State to another State. The Mayor of Campbelltown took a big stick to the NSW Acting Treasurer, Mr Carl Scully, regarding what the New South Wales Government did to preserve the position. Some of the bigger States think that, because they are the bigger States, they can sit on their hands, that there is a natural gravitation to them and that such companies will not think logically about other locations in Australia.

As long as they continue to do that, big projects such as the Westpac project will occasionally be snared by South Australia, based on our enthusiasm, our responsive bid, and our tailoring of the bid to meet customer requirements—in this case, Westpac. With this deal, as with others in which we have been successful, we asked, 'What does the customer need? What are the concerns that this company would have in locating that business in South Australia? How do we therefore reduce the disadvantage and remove those concerns about locating in South Australia?'

That is what we did. As was clearly demonstrated after the bank deal was announced, Westpac proceeded to plan to locate the facility in Campbelltown in New South Wales. We sought to re-open negotiations. They dealt with us at the last minute. They set tight parameters for us in terms of the time frame in which we could make a bid, from 9 o'clock on the Friday morning until 4.30 that afternoon. We delivered, and that surprised them. We followed up, and that showed a level of commitment and enthusiasm that is simply not there from some of the bigger States. If you go out and knock on doors and show that you are keen and enthusiastic, it really counts at the end of the day. That does not include dollars. You do not need dollars to show commitment and enthusiasm.

In relation to the statements of the New South Wales Government, I can understand why it is saying some of those things. It has a constituency of its own. Queensland took the Securities Commission share transactions and stole a march on the other States. Not only New South Wales but every State in Australia was smarting about that because that deal cost every State a bottom line and millions of dollars, reflected in adjustments in the Grants Commission. When the Queensland Premier gets on his high horse about these matters, he should reflect upon that deal.

He should also reflect on a deal done in Queensland recently involving the building of a warehouse. There is not much value-adding or export market potential in building a

store and a warehouse, but significant breaks were given to that company to locate in Queensland. Victoria and New South Wales are doing that. Unless we are able to mix it and match it with the other States through a reasonable packet of incentives, we will see the other States vying for those projects. We will sit on our hands here in South Australia and have a contracting economic base. We cannot afford to do that, nor should we do that in the interests of South Australians.

As it relates to the question of a concern about Commonwealth retaliation, that is just shadow boxing. If they want to turn up at a Premiers Conference or meeting of Under Treasurers, and each State were to put on the table what the other States were doing, you would clearly see that South Australia has not been 'ahead of the pack' in that regard. All details of these contracts remain commercial in confidence, and that applied when the Leader was in Government. He knows—and I reinforce—the reason for that: it is simply that, if we are dealing with a range of 80 other companies, we do not want other companies looking at a deal one company got and saying, 'We'll leverage up on that another 5 per cent here or 10 per cent there.' You have to preserve your negotiating position for subsequent deals that come your way. The former Government preserved that interest on behalf of the State, and I certainly do so on behalf of the current Government of South Australia.

I indicated at the time that the Industries Development Committee would be fully briefed in relation to this deal, which it was yesterday, as I understand. The announcement of the Westpac deal was not supposed to take place when it did: it was as a result of action by the Campbelltown Mayor in New South Wales. They had an option for the building on the Monday. The option was not taken up. He then apparently ascertained why it was not taken up, realised that it had slipped away from New South Wales, and on the weekend took a stick to the Acting Treasurer, Carl Scully, who then responded in the *Sydney Morning Herald* on the Sunday night. It created difficulties for Westpac, which on the following Wednesday wanted to have a national hook-up for all its centres around Australia to explain the deal.

It was unfortunate that it unfolded the way in which it did and which precluded, in some instances, prior to the announcement—and I am sure the Opposition would at least understand this point—the explanation of the deal to the IDC. I have indicated previously—and have followed through on every occasion—when we put in place deals of this nature that, through the IDC, the bipartisan committee of the Parliament, we will provide a full explanation of what we are doing, why we have done it, and detail the components of the package.

The reference to the \$3.5 million was removing one of the significant disadvantages, and that was telecommunication costs involving South Australia *vis-a-vis* the other States. Westpac is one of Telecom's largest corporate customers in Australia. That was a matter to which they had given some considerable consideration in this deal. We sought to neutralise that. We are also ensuring that South Australians are best positioned to take up some of these jobs, in putting in place some commensurate training packages, so that South Australians can be the beneficiaries of the jobs, recognising a short timeframe in which people will have to upgrade skills to take on the job functions in question.

**The Hon. M.D. RANN:** I guess the matter of the small State operating in both an enterprising way and quickly, with bipartisan support, rather than in the flabby way of the larger



States is important. Certainly, with the submarine project and the smart end of the frigate project and so on, one of the most important things first up is to convince local industry in South Australia that we can take on the bigger States. A lot of this is about confidence. All of us have been frustrated knowing that Kockums, HDW, RDM and others were favouring South Australia and the Commonwealth was looking favourably to us, but when local components are trying to deride the efforts it means there is always an obstacle on the home front that, as a State, we constantly need to overcome.

In last year's Estimates Committee, the Opposition raised several issues about the incentive package provided to Australis for establishment of its data processing and telemarketing operations. At that time we wished Australis well, and that is still the case. I am the local member for Technology Park as well as formerly being the Minister responsible for Technology Park, and I hope that they do particularly well and take on jobs, because we need jobs as never before. I recognise the need for confidentiality in referring to certain reports about the Government's commitment for the project of about \$28 million. Certainly, as best we can, the Opposition supports the objective of upgrading Technology Park. I have a number of questions relating to Australis, although some of them may need to be taken on notice.

Can the Minister advise the number of people currently working for Australis in South Australia in the categories of casual, permanent, full time and part time? Can the Minister advise the number of subscriptions to Australis? Is the Minister confident that Australis will achieve the first major target of 200 000 subscriptions by May next year? Various claims and counterclaims have been made in the media that 20 000 subscriptions were achieved by the end of May, but this has been disputed by several journalists. Other claims have been made that Australis needs 500 000 subscriptions to break even. Press reports have referred to the company making a \$31.6 million loss for the first six months to December 1994, although there could be various reasons for that loss. There could be the cost of setting up, establishing and branching out, there could be up front losses to sustain growth and gain a substantial market share, but the fundamental question is: are the 700 jobs claimed by the Minister arising from the Australis deal still on target? I have further supplementary questions as well.

**The CHAIRMAN:** For the benefit of the table officers, can the Minister indicate which questions are within his purview? The Chair believes that some questions relate to matters more appropriately and confidentially dealt with by the company itself. The questions seem to be addressed to Australis rather than the Minister.

**The Hon. M.D. RANN:** The sum of \$28 million in Government money was used to facilitate or leverage those jobs and, therefore, it is of fundamental importance to know where we are going on that.

**The CHAIRMAN:** The Leader is looking for achievability of commitments and the company may not yet have reported that.

**The Hon. J.W. Olsen:** In my opening remarks the Leader will recall that I said that, as of last week, Australis had employed in its South Australian operation 251 people, of which three were interstate. I know that figure is accurate because I sought it following the unfortunate claims of Mr Foley, who was suggesting that Westpac was only going to secure interstate jobs and not local jobs. I thought I would ask Australis what the situation was and, given that it has a 99 per

cent take up rate of South Australians, I was heartened by that.

As to the number of subscriptions, I do not think it is a matter for me as Minister to respond about what might be a commercially sensitive matter for Australis. Rather than my facilitating that, the Leader should take it up directly with Australis. That information is commercially sensitive and no investment package relates to that. The investment package we have put in place is directly linked to performance and job generation and, therefore, in many respects the spending is commensurate with that; it is related in part to job creation. The incentive equals job creation: they are linked. If there is no job creation, part of the expenditure does not occur.

Further, one of the areas of real need is accommodation at Technology Park. We are in dire straits in regard to accommodation, and that is a healthy problem to have, I hasten to add. We are now looking at two or three buildings for accommodation required at Technology Park over the next year or two. As an example, in the past couple of weeks Telecom has announced further expansion, generating in one instance 140 jobs and 100 jobs in another. They are both new facilities to South Australia, and they are looking for accommodation in this State. We have a range of companies that have expressed interest to the MFP for further accommodation, and the MFP Board is charged with that commercial charter.

Through the EDA and the MFP the Government and I are looking at what accommodation is available and, if there is basic underwriting and demand, we will proceed with buildings at Technology Park as a result of that increasing demand. All in all it is an encouraging sign. The Chief Executive Officer indicates that he met with the MFP Chief Executive Officer only yesterday in order to address accommodation demand at Technology Park.

As to Australis, I refer to the side benefits to South Australia which are important. The first three contracts it issued went to South Australian small and medium businesses. A manufacturing firm at Lonsdale produced all the office screens for its accommodation, and a small marketing firm on Glen Osmond Road won the contract to undertake marketing aspects for Australis. Australian Broadcasting Systems, a company with about five employees, won a contract with Australis, and Hills Industries won a contract worth \$13 million. Other contracts are on the agenda to be released and announced this week, as I understand it.

I refer to the ripple effect and the intangible benefits that go out to the community. General Motors had a range of companies collocate around it to provide supplies. With a critical mass like Motorola, Australis or Tandem, we get interest from other companies wanting to collocate where that critical mass develops. The benefit from Australis is to a range of other small to medium companies. I suggest to the Committee and the Leader that, if Australis had located in Melbourne or Sydney, those small to medium businesses in Adelaide would not have got a look in for those contracts. They ought to be getting them, but it is one of the benefits that we ought not to underestimate when a company like that comes in and spends.

**The Hon. M.D. RANN:** By way of clarification, the reason my questions are relevant to the Committee is that, if \$21 million (or whatever the figure is) has been spent in luring Australis to South Australia and if we are told that part of the deal involves us putting in money to leverage a number of jobs—we were told that 700 jobs was the target, which is part of the reason for pumping in the money—it is relevant

to the Committee, the Parliament and taxpayers what the job figures are, what the target remains and what subscriptions directly relate to the number of jobs.

We have been told that 20 000 subscriptions have been achieved and that they have to achieve 500 000 to break even. We have had reports of \$31.5 million in losses for the first six months. That could be an up front loss in order to expand, as I said, but I seek an assurance that the jobs are on target. We should not forget that the Minister—I cannot remember whether it was the Minister or the Premier—spoke about leveraging other IT developments alongside to attract other players. Foxtel went to Victoria after a bid by Jeff Kennett. We need an assurance that plans are on track in terms of jobs, IT policy and subscriptions for Australis. I refer to media speculation about different figures, whether it is 200 000 or 500 000 subscriptions in terms of the break even point.

**The Hon. J.W. Olsen:** Job generation and creation is on track. In six months they have gone up to 250. Although I do not have a copy of the press release, I think it referred to 1 000 jobs by the year 2000, and I would argue that the company is on track. There is 20 per cent cross ownership between Foxtel and Australis. We are monitoring that position, but the marketplace will determine its own course, and so it should, because there should not be any intervention by the Government. South Australia's position in this will be protected. Clearly, there is job generation; it is on track, and I hope that the Leader will be able to join the Government at the opening of the building in about five weeks.

**The Hon. M.D. RANN:** If I am invited, I will certainly come. Being invited is always the question.

**The Hon. J.W. Olsen:** I will make representations to ensure that the Leader can come to the opening and see the building. I have visited the company on a number of occasions. I have met the staff and seen the enthusiasm of South Australians who have a job in this organisation. The point I want to emphasise is that the packages are structured to promote the State's interests. I do not want it suggested that that is not the case. To a major extent those jobs are generated and sustained, and I refer to the other proposals mentioned earlier today on which the IDC has been fully briefed.

**Mrs PENFOLD:** I refer to the Program Estimates at page 225, Program No. 3, which seeks to promote increased levels of net business investment and employment in South Australia. Can the Minister outline some of the steps he has taken to improve South Australia's competitiveness as an investment location?

**The Hon. J.W. Olsen:** I have made a number of references to a global economy and the need to build up a competitive base both for domestic and international markets. Increasingly we have mobile capital and rapidly advancing technology, and we in South Australia need to be able to adjust to that. For South Australia to be considered as an attractive investment location we must be able to demonstrate benefits to potential investors that are better than the other States. One aspect is that the cost of operating a business in South Australia is up to 8 per cent lower than in other Australian States. Our packages have responded to that and clearly demonstrate it.

Globalisation—the reduction in tariff barriers and expanding the domestic market—presents a challenge to all countries and regions, not least in South Australia. The competitive benchmark is now international world best practice. To keep up with the rest of the world and increase and sustain our standard of living in this environment it is essential that our business community remains focused and

our programs are directed and tailored towards production of high value added, differentiated products and services; productivity growth; and, for this purpose, most importantly, innovation in products marketing and manufacturing.

That is where South Australia has traditionally had its strength: we have always been a small economy with a small population base, but we have done a number of things more smartly and more innovatively than have the other States of Australia. In doing so, we have been able to mix and match internationally. Productivity growth, innovation and value adding are driven in turn by continuing investment, competition, access to knowledge, being able to upgrade to current skills and technology internationally, and a supportive or conducive business climate. I referred to that this morning in terms of the costs of operating a business. Whilst the Government is working in all these areas, it can have the most impact in the long run by focusing on improving the private sector's access to knowledge, skills and technology, and by providing a friendly, low cost business climate.

The A.D. Little report (commissioned by the former Government) showed clearly that the pace of change must be rapid and that the basis of competition must change from our traditional reliance on low costs to high quality, service and image. We need to build quickly on our existing sources of competitive advantage and to create new ones. The Government has already initiated a large number of changes in this regard, and that is an evolving and never ending process. Our starting point must be to get the fundamentals right (and my preamble referred to that), for example, our skilled work force, improved access to technology and the working skills program, where the EDA is working with the universities developing a need, addressing the need in the future and responding with programs for the future.

With the Westpac deal we have given our commitment that the universities and TAFE colleges will assist with the refocussing of current students on the job opportunities at the Westpac centre, in order to meet its needs. Through discussions with the vice-chancellors we must tailor programs and education needs, looking at TAFE, at secondary and I think also at primary level. So, in a composite way, across the whole educational arena, we look at the development of skills and requirements for the future. Gary Tooker's remarks at the opening of Motorola brought home the need for constant upgrading of skills and technology. Motorola takes double graduates at its facilities here and overseas, and I suppose that with a double graduate you would be looking at about eight years of education and training. The useful life in Motorola for a double graduate is currently five years. That should demonstrate the absolute need for ongoing education and skills training, considering the pace of technology and change.

Mr Tooker said that, in his view, within five years the lifespan of someone would be three years—after eight years of intensive education and training. Whilst one might find that almost frightening, it is the reality of the marketplace that we will have to come to grips with. One of the real advantages of South Australia over the other States, with our small size, is that we are able to work with our educational institutions, our TAFE colleges and the vice-chancellors, to look at the need and to adapt in a more responsive, timely way than the bigger States of Australia. That is a competitive advantage for South Australia that we need to continue to work on; access to capital, physical and communications infrastructure and telecommunications are others.

One of the benefits of the Government's outsourcing of telecommunications, which will occur later this year, will be to get a competitive rate to remove the disadvantage in telecommunication costs out of Adelaide to the rest of Australia and overseas. By bulking up the Government's telecommunication costs, we can remove the STD component of telecommunications in Australia for Government and for volume business so that for, say, Mitsubishi, General Motors or the Westpac national loans centre we remove that disadvantage. That is how we will get investment into South Australia because, owing to our size, we are able to move in a more responsive and timely way than the other States to build up that benefit.

In relation to taxation and charge structures the Premier made a commitment before the election, and members would note that that commitment has been honoured thus far. In addition, we have reduced costs, which I have already noted. We have been working through the Centre for Manufacturing on enterprise improvement, networking, business clusters and working up strengths for companies out of South Australia to meet international opportunities. In addition to that, we have reduced the costs of operating Government, which have helped investment attraction, because of a stable taxation and charging regime that is keeping it to CPI and, in some cases, reducing it. That is how we are building up a good investment location profile for South Australia.

**Mrs PENFOLD:** The Regional Development Division of the Economic Development Authority was established to help the rural areas of the State achieve their economic development potential. What has the division achieved in the year since its creation?

**The Hon. J.W. Olsen:** Upon coming to government we expanded the regional development policies of the former Government that were limited to just one or two regions and gave the opportunity to any area of South Australia to access the program, individual projects being considered on merit. We enfranchised the whole of regional South Australia rather than part of its being disfranchised, as was the case before. We have substantially upgraded the Regional Development Unit within the Economic Development Authority and, in addition, have assisted some 78 firms. There has been some \$6.2 million in financial incentive packages to firms. We have created some 484 new jobs and, importantly, retained 620 existing jobs in country and regional areas of South Australia.

In addition, the Regional Development Division within the EDA has given \$472 000 in financial support to regional development boards for projects which will benefit business development in regions and which facilitated, for example, the hemp project on Yorke Peninsula. We did that through the Regional Economic Development Board with a small seed grant (no pun intended), and trials are being undertaken. We want to ensure that the whole of South Australia participates in the economic targets that we have set down. The simple fact is that, if we are to meet the challenging targets, the whole of South Australia must be a participant. The track record, the commitment of funds, the upgrading of the unit, the staff availability and the enthusiasm of the staff have demonstrated that.

**Mrs PENFOLD:** The Government has indicated that in relation to asset sales and contracting-out it will aim to produce benefits for the State both by way of reducing debt and by promotion and development of the wider economy. What measures have been taken to achieve wider economic development benefits through contracting-out and asset sales?

**The Hon. J.W. Olsen:** I have with me today the guidelines that were issued yesterday at the contracting-out seminar, and I will make those available to members of the Committee. All members of Parliament will be receiving copies of those. As I noted in my opening remarks, whether it be an asset sale or a contracting-out we are clearly focusing on getting economic development from that to ensure that we have leverage for our spending power to get economic initiatives to this State.

Competition forces the producers of the service to be more efficient and that is why we are seeking to get operational savings and economic development in each of the projects, whether it is an asset sale or contracting out. That is certainly the objective of the EWS Department and the Water Corporation. I have said on a number of occasions to this House that, if there are no operational savings or economic development, at the end of the day there will be no deal. The Premier also issued a publication yesterday in relation to contracting out that I am sure will also be made available to all members.

**The Hon. M.D. RANN:** I guess exports are close to all our hearts in terms of getting the airport upgraded and the Darwin to Alice Springs railway line. In his policy speech before the last election I noted that the current Premier said that, apart from 4 per cent annual economic growth, he was looking for 15 per cent annual real growth in our export earnings, as well as the creation of 200 000 jobs. Why does the Minister believe that in the first eight months of 1994-95 our export income fell by 1.9 per cent? I understand that this cannot be directly attributed to the drought. In fact, the Minister's own budget Financial Paper No.2 records a decline of over 17 per cent in exports of motor vehicle parts and accessories. That is an area where we all want South Australia to be in a win-win position. I put that fall into context because, in the eight years to 1993-94, during the period of the Labor Government, our export growth averaged 9 per cent per annum. Is the Minister still confident of achieving the Premier's target of 15 per cent export growth per annum during this term?

**The Hon. J.W. Olsen:** I am trying to ascertain the figure. My recollection is that there was an increase of 3.3 per cent, which was significantly higher than the national average, which I think was 2.1 per cent, but I stand to be corrected on that; I am relying on memory. What the Leader is talking about is the total value of those exports, and he needs to factor into the equation the impact of seasonal conditions in country areas and low commodity prices. I am sure that, if he factors them into the equation, he will see clearly that in manufacturing, for example, there has been considerable improvement and considerable improvement is still to take place. I point out that 41 per cent of manufacturing plants in South Australia are into the export market. That is a higher percentage than in any other State in Australia.

That has been brought about by two things. It was an intangible benefit of winning the Submarine Corporation deal. When we won that deal, I understand that only one company in South Australia had ISO qualification. One of the intangible benefits from a project such as the submarine deal, as Australis has intangible benefits that ripple out through the community, is that we are in now a position where the majority of our manufacturers are exporting. That is why South Australia has a balance of payments unlike that of the rest of Australia in that we are a significant, positive contributor to the balance of payments in Australia.

South Australian exports for March 1995 were \$381 million. That is up 59 per cent compared with the

previous month. Over the 12 months to March 1995, exports decreased by 1 per cent. South Australian imports for March 1995 were \$296 million, up 18 per cent, compared with the previous month and, over the 12 months to March 1995, imports increased by some 18 per cent. The export growth was 3.3 per cent; that was 2.5 times the national average. I think they are very encouraging statistics. There was a 23.5 per cent growth in ETMs. So, we are positioning South Australian manufacturing into the higher value adding growth area in terms of export opportunities. To that extent, the industry improvement programs through the Centre for Manufacturing are really starting to pay some dividends, reinforcing in some instances that we have a lead time or lag time between the investment, the programs and the visible signs of benefits.

**The Hon. M.D. RANN:** I also want to talk about regional development while we still have time. Just as the Government developed the Centre for Manufacturing, we strongly encouraged regional development boards and that regions develop their own expertise and commitment locally in order to drive a proper regional development strategy in this State. I was very keen on that. It is very important that all of us in this place remember that Adelaide does not start at Gepps Cross and that South Australia certainly does not start and finish at Gepps Cross.

One of our policies was to target those areas in greatest need, and that is why we set up the enterprise zones, giving 10 year tax exemptions from State taxes to Whyalla and Technology Park sites and an announcement of maybe extending that to Port Augusta and Port Pirie. I have a number of questions on this area, and I can put some of them on notice. There has been the issue of the grant of a \$2.5 million incentive package for the establishment of a new Clipsal plant at Strathalbyn. I am not attacking anyone at Clipsal, but the targeting of Strathalbyn was lauded by the Government as being an exercise in regional development. The reality is that in 1994 Strathalbyn had an unemployment rate of 7.3 per cent—well below the national average.

In the Upper Spencer Gulf cities we already have much of the infrastructure and skills required to support a development of this sort. Whyalla's unemployment rate for 1994 was nearly twice that of Strathalbyn at 13.8 per cent. At the same time, Port Pirie's rate was 12.9 per cent and the rate for Port Augusta was 9.3 per cent. The Government says that it has made the whole State an enterprise zone. It does not benefit Port Pirie, Whyalla and Port Augusta by giving them an added incentive to kick start job growth. Can the Minister provide details of the amounts provided in 1994-95 and forthcoming in 1995-96 to the Upper Spencer Gulf under regional development and programs 1, 2 and 3? Will he also do the same for the Riverland as well as northern and southern metropolitan Adelaide?

**The Hon. J.W. Olsen:** I shall have to take those questions on notice. What you really want is a breakdown into respective regions of the total figures that I have given to the Committee.

**The Hon. M.D. RANN:** Yes. Perhaps I can put on the record some other basic precise questions. What are the Government's criteria for assistance to industry development and job creation in those regions, and what measures and benchmarks are set out for monitoring their effectiveness? For example, the Southern Regional Development Board was recently advised by an EDA staff member that metropolitan northern and southern regions receive no assistance from industry development under the regional development line of

the EDA. I do not know whether that is true or not, but perhaps that could be checked. Will the Minister advise us of the position of Morrison Knudsen in Whyalla and what the Government is doing to retain this very important operation in the Spencer Gulf? Will the Minister also advise us of the present state of play with the Port Pirie container project, work on which commenced under the previous Government when I was the Minister? Indeed, I met various prospective people from Indonesia on that matter. I understand that the Commonwealth has contributed substantially, but is it the Minister's view that more needs to be done by the State? Will the Minister give an unequivocal assurance that in 1995-96 serious measures will be put in place to provide substantial and real assistance to non-metropolitan regions most needing help in South Australia, which would be the Riverland and Eyre Peninsula, including the Upper Spencer Gulf cities?

I am happy for the Minister to take those questions on notice. I think that we should again be working in a bipartisan way on regional development, because we all hope that later this week Neville Wran will include a recommendation for the building of the railway. It is very important nationally, but it is also important for the Upper Spencer Gulf in terms of producing sleepers, concrete, steel and so on. I am sure that the Minister has met Mr Wran in relation to this issue. I think it is important that we have a bipartisan approach, because this recommendation still has to go to the Federal Government, and I am happy to join the Minister in any talks with the Federal Government on this issue. I would appreciate, perhaps before the end of the Estimates Committees period or the requisite time, a response to that series of questions on regional development.

**The Hon. J.W. Olsen:** This morning I had further discussions by phone about the Port Pirie container project. The Korean interests which are looking at it are still keen. Matters need to be progressed further, and that will be in cooperation with the regional development board in Port Pirie, the EDA and the private sector interests here and overseas.

**The Hon. M.D. RANN:** There was a question from the Government side about small business, but I had to leave the Chamber. Unless this has already been covered, will the Minister advise us of the present status of the small business strategy that he mentioned in last year's Estimates Committees and the detailed objectives of that strategy? Also, what assessment has been done by the EDA or the Small Business Advisory Council on the impact of the Government's decision to deregulate shop trading hours, not just in the inner city but throughout the metropolitan area? I think that would have been discussed with the Small Business Advisory Council, and the Minister would have received a briefing from the EDA on that matter. I should like to see both of them.

**The Hon. J.W. Olsen:** If the Leader looks at *Hansard*, he will see my reference to the strategy paper, which he has just mentioned, its focus and the program that it is, in effect, undertaking. I will take on notice the other questions posed by the Leader and provide a reply.

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

**The Hon. J.W. Olsen:** I take the opportunity to provide the Committee with an overview of the financial performance of EWS for the 1994-95 year and an outline of the 1995-96 financial targets for the Water Corporation. As at the end of May 1995, the forecast operating profit for the 1994-95

financial year amounted to some \$79 million from revenues of \$458 million. That result—and it is a favourable result—represents an improvement of some \$23.4 million on the previous financial year which posted an operating profit of \$60.3 million. The forecast profit for 1994-95 is marginally down on budget (\$88.1 million) as a result of increased water pumping requirements for the year attributable clearly to the seasonal or weather conditions. The dividend to be paid to Government is expected to be some \$60.7 million, an increase of \$9.1 million on the budget (\$51.6 million) mainly due to a reduction in interest costs and the sale of the light fleet vehicle to State Fleet. Capital expenditure for the year is forecast at \$71.3 million compared to a budget of \$82.6 million. This budget was revised in November 1994 to \$76.3 million to allow for reduced plant and vehicle requirements as a result of the outsourcing strategy.

Efficiencies from competitive tendering and long lead times in commencing certain projects have further reduced 1994-95 capital expenditure levels. The highlights for the 1994-95 capital works program include: the rehabilitation of Tapleys Hill Road (Glenelg) trunk sewer which was completed at a cost of \$1.5 million—replacement of biological filter distribution arms is in progress at Bolivar waste water treatment plant, and desludging of No. 1 stabilisation lagoon for \$900 000 was completed during the year; new aeration compressors were commissioned at Christies Beach waste water treatment plant at a cost of \$1.4 million; work was completed on the rehabilitation of the irrigation infrastructure in the Nookamka division of the Cobdogla irrigation areas at a cost of \$2.7 million; work on sewerage to Adelaide Hills towns has continued at a cost of \$800 000 in 1994-95, with work in the high priority area of Stirling South West being completed in April 1995; a major investigation of the Yankalilla-Normanville-Carrickalinga water supply was undertaken to establish the works required to accommodate the proposed Wirrina development; and major mains replacement works were undertaken in Wallaroo Mines, Moonta Mines, Whyalla and Ardrossan, with some \$900 000 being spent during the year.

As reported last year, EWS has embarked on an ambitious reform program to be implemented progressively over the next few years. The framework for achieving these goals is outlined in the restructuring and outsourcing plan which will fundamentally change the way in which EWS meets its responsibilities. The components of that plan are: the corporatisation of EWS under the Public Corporations Act to take place on 1 July; outsourcing of water and waste water treatment plants and associated mains networks in the metropolitan area in accordance with the financial statement we released in May 1994; provision of new water treatment plants through build-own-operate (BOO) arrangements with the private sector; a planned program of performance improvement in country areas and other retained functions; and progressive pricing reform commencing with new pricing structures from 1 July 1995.

The key outcomes expected include: outsourcing and performance improvement which is expected to achieve operating and capital savings of \$38.2 million in 1996-97; new water treatment plants serving the Adelaide Hills, Barossa Valley and Mid North will be commissioned by June 1997; contracts for new water treatment plants to serve the larger Murray River towns will be committed by December 1997; private sector involvement in financing upgrades of metropolitan waste water treatment plants will have been negotiated by June 1998; and the metropolitan outsourcing

contractor and EWS will be working intensively with the South Australian water industry in 1996 to achieve increased export growth as rapidly as possible.

Significant progress has been made since the inception of the plan. Some of the more notable achievements to date include: a request for proposal (RFP) which was issued in early May to three prospective tenderers; a comprehensive review of country operations was completed in April 1995; expressions of interest have been received and are currently being evaluated for private sector provision of new water filtration plants to improve water quality to the Adelaide Hills, Barossa Valley and Murray River towns (I expect to be in a position to approve the short list which will be invited to tender soon—tender documents should be issued before the end of June); effective from 1 July the EWS will be transformed from a department of State to a Government business corporation under the Government Business Act (the organisation has been named the South Australian Water Corporation and is to be known as SA Water—this will provide the EWS with a more appropriate structure to drive and deliver the outsourcing reform program); and the Ottoway workshops have been closed and services provided by these workshops are now being provided by the private sector (the Ottoway site will be sold early next financial year with the net proceeds to be used to reduce SA Water debt with the South Australian Financing Authority).

The financial implications of these outcomes have been factored into the EWS 10 year strategic financial plan and resulted in the development of challenging but achievable financial targets for 1995-96 which include: operating profit of \$64.7 million; distribution to Government of \$61.7 million; and capital expenditure of \$74 million. By the end of June 1996 the EWS will have reduced its work force to 1 452 employees. The highlights for the 1995-96 capital works program include: a strong commitment to improving water quality across the State, supported by an allocation of \$3.9 million for 1995-96 (these funds will be used to upgrade existing facilities and construct new works to improve water quality as well as an allocation to investigate and evaluate options for the BOO initiatives outlined earlier—in particular, \$500 000 will be spent to construct a water filtration plant for Kingscote); and a commitment of \$28.4 million towards programs that will ensure the continued reliability and quality of operation of its major asset.

Specifically, this means: an allocation of \$9.3 million for major rehabilitation of the four metropolitan waste water treatment plants at Port Adelaide, Christies Beach, Bolivar and Glenelg; expenditure of \$2 million is planned for the relay of water mains in the metropolitan area; expenditure of \$1.9 million has been committed to the rehabilitation of the metropolitan sewer mains including \$1.3 million for the Brighton trunk sewer; continued rehabilitation on the distribution system of the Loveday division of the Cobdogla irrigation area is planned for completion at a cost of \$4.9 million; safety upgrades to several dams of \$1.7 million including the Barossa reservoir outlet to reduce the risk of failure, supply loss and damage to the dam and downstream damage in the event of a failure; commissioning of an effluent re-use scheme at Myponga waste water treatment plant is planned; and country regions would also benefit from the capital program with \$15 million earmarked for projects in the Murray Mallee (\$3 million), Northern (\$3.2 million), Eyre (\$1.4 million), South-East (\$1.5 million) and Riverland regions (\$5.9 million).

The EWS program is a responsible one that balances the need to improve business performance against the overall objective of the economic development of the State. At the outset, I should like to commend officers of the EWS who have presided over and implemented a substantial restructuring of the EWS in recent years. They have brought in significant productivity and efficiency gains that are reflected in the price of water to consumers in South Australia—our price is the lowest of the States in Australia—and, at the same time, converted the department from a cost of approximately \$35 million a year to a dividend of \$61 million a year. In other words, the EWS, through productivity and restructuring, has had a \$100 million turn-around from cost to dividend, to the benefit of consumers in South Australia. In addition, we are looking at a rigorous outsourcing program that will bring substantial long-term, lasting benefits to South Australia, not the least of which are major economic benefits.

I record my appreciation of the way in which all members of the executive team and senior management of the EWS, with the support of their work force, have embarked on that ambitious program with determination and zeal. The successful outcome will be something from which all South Australians will reap the reward.

**Additional Departmental Advisers:**

Mr Ted Phipps, Chief Executive Officer, EWS.  
 Mr Neil Killmier, Deputy Chief Executive.  
 Mr Jim Killick, General Manager, Planning and Strategy.  
 Mr Peter Norman, General Manager, Services.  
 Mr Cyril Wear, General Manager, Adelaide Division.  
 Mr Peter Cooper, General Manager, Headworks and Country.  
 Mr Peter Prodanovski, Financial Controller.  
 Ms Michelle Hambly, Ministerial Liaison Officer.  
 Mr Geoff Haberfeld, General Manager, Finance.  
 Ms Claire Bossley, General Manager, Human Resources.

**The Hon. M.D. RANN:** I have a few statements of principle on the outsourcing contract. These are questions that I asked the Premier and, quite frankly, did not receive a satisfactory answer to them. We know that there has been considerable debate in the Parliament over the past six months about campaign donations. An analysis of the campaign donations to the Liberal Party at the previous State election showed that there was a series of—

*Mr Kerin interjecting:*

**The Hon. M.D. RANN:** You will get your chance, and I will finish. That analysis basically showed that there were a number of donations from insurance companies interested in the WorkCover deal. There were donations from motor traders interested in changing the rules relating to motor inspections and other matters. There were donations from the hapless Abdo Nassar, who then got a job on the Ethnic Affairs Commission, albeit for only one meeting. Because you do things differently, Minister, will you guarantee that the Liberal Party will not seek and will not accept any donations to its next campaign from any company tendering for the outsourcing of water?

**The CHAIRMAN:** There is an inference behind that line of questioning which the Chair finds unparliamentary. However, if the Minister wishes to respond in any fashion to the question, he is at liberty to do so.

**The Hon. J.W. Olsen:** I can give the Leader of the Opposition an absolute and categorical assurance that I will not be seeking from any of the tenderers, successful or

otherwise, a donation to the Liberal Party. I fail to see what that has to do with any of the lines that we are currently examining, Mr Chairman, but if you want a commitment from me, you have got it.

**The Hon. M.D. RANN:** The question is whether you will seek donations, although I would not expect you to do so, because you are the Minister directly involved. What we need to know is: in terms of the tendering of the biggest contract ever written or to be signed in this State's history—\$1.5 billion—can you give us that assurance and that guarantee that the Liberal Party will not accept any donation from any company either bidding successfully or unsuccessfully for that outsourcing contract?

**The CHAIRMAN:** That clearly implies that there is some potential for corruption. As such, the question is unparliamentary and it is not permissible. Another aspect of the line is questioning the intentions of a private enterprise which is perfectly at liberty to dispense with its funds as it sees fit, whether it be to the Liberal Party, the Labor Party or the Democrats. The Chair does not see the question as being relevant to the Minister or to any of the lines.

**The Hon. M.D. RANN:** With respect—

**The CHAIRMAN:** I have made the same ruling on other occasions during the Estimates Committee. I can see that you are going to demur, so the Chair will listen, but, if you wish to dispute the Chair's ruling, the formal procedure is to put your dissent in writing and then we will have the matter out by way of formal debate.

**The Hon. M.D. RANN:** I am not demurring from your ruling, Mr Chairman. I simply believe that one of the things that the Government talked about before the previous election and on many subsequent occasions is the transparency, integrity and accountability of the tendering processes. We all agree that that is vital. Although it is true that any of those companies can make a donation to the Liberal Party or to anyone else, I will guarantee from the Labor Party's point of view that, even if they come to us with a cheque in hand, we will not accept any donation from the three consortiums currently bidding for the contract.

I would like simply to get an assurance from the Minister, in order to be satisfied about the integrity of the contract negotiations and the tendering process, that there will be no acceptance of any donation from any of those three consortiums. It is as simple as that. You have a guarantee from me; I would like one from the Minister.

**The CHAIRMAN:** If the honourable member wishes to personalise it, he has had it from me, and the Minister has already given his personal assurance to the Committee.

**The Hon. M.D. RANN:** With respect, the Minister has said that he would not seek a donation for the Liberal Party. That is quite different. My question was: would he seek or accept—would the Liberal Party not accept?

**The Hon. J.W. Olsen:** With great respect, I am not responsible for the Liberal Party before this Estimates Committee, nor am I responsible for office bearers who have not yet been elected or for their actions two years from now. I can give the Leader an absolute commitment as to my actions in either seeking or accepting, both of which are no and no.

I can assure the Leader that there will be absolute probity in any actions taken by me in this portfolio and as it relates to the companies, whichever they might be. It is totally unreasonable for me to give a commitment in respect of people for whom I have no authority or responsibility—and who are not yet elected to the positions (because the annual

general meeting is in August)—regarding functions and actions that might take place two years from now. I suggest that that is a long bow.

**The CHAIRMAN:** Whether it be under parliamentary Standing Orders or Erskine May, and whether it involves the rulings of appeal before the House, the documents are here for the Leader to peruse. The tradition has been that Ministers cannot be asked questions on matters beyond their portfolio responsibility. You have had assurances from the Minister. Beyond that, the Minister is incapable of giving further assurances. I recognise the line of questioning—we all do—but the Minister has a certain degree of responsibility, and beyond that the Chair will not ask him to proceed.

**The Hon. M.D. RANN:** Thank you, Sir. I now move to another aspect of questioning. The Commonwealth Government has announced sanctions against France which include banning up to \$1 billion of military tenders as a protest against the resumption of nuclear testing, given that the French recently signed the review of the nuclear non-proliferation treaty and also agreed to restraint. That restraint lasted about two weeks.

Concurrently with that, I have written to water companies with French connections asking for their views on nuclear testing and have received several letters, including a letter from Australian Water Services, signed by Mr Pierre Alla, the Managing Director, who stated:

Australian Water Services, like most Australians, is very concerned with the news that the French Government has announced it will resume nuclear testing in the Pacific. Our minority partner in the joint venture, Lyonnaise des Eaux, does not have a position on the French Government's decision to resume testing as this is Government policy and not related to the company's business.

That seems quite a convenient and somewhat cute approach—the Australian partner is opposed but the French partner does not have a position. Does the Minister support the Commonwealth's actions? Has the Minister raised these issues with the French water companies to establish their views on nuclear testing? Is he prepared to join me, in a bipartisan way, in seeking the views of the parent companies in France to French nuclear testing in our region?

**The Hon. J.W. Olsen:** Let me say at the outset that the Government and I object to the decision of the French Government to undertake further testing in Mururoa Atoll. The Leader asks whether I support the actions taken by the Commonwealth Government to date. The answer is 'Yes'. I note that it is simply bringing the Defence Attache back to Australia and that the Ambassador has been recalled for talks. Specifically, to answer the question, I do support the actions of the Commonwealth Government to date in clearly identifying to the French Government that this decision is wrong.

**The Hon. M.D. RANN:** The Minister has not answered my question: will he join me in seeking the attitudes of these giant corporations in France towards the resumption of nuclear testing in our region? I am mindful of the fact that the companies have said they want to be good neighbours and the Government has said it wants to use the outsourcing contract to build a reputation in the region. Given the 95 per cent support, according to today's Newspoll, for strong opposition to French nuclear testing, will the Minister join me in seeking the views of the parent companies in France? If one of the parent companies in France does support the Chirac Government's moves to resume nuclear testing, what would be the South Australian Government's position in terms of doing business with such a company?

**The Hon. J.W. Olsen:** I will not avoid answering the question but, with respect, I ask the Leader to identify the line under examination at the moment, because he is drawing a long bow. As I understand it, both companies have responded with press releases in South Australia condemning the French Government for the decision to resume testing. That point ought to be made. They have already put that position down publicly.

Between now and when the final tenders are submitted, there are confidentiality clauses that are binding on the parties because of the exchange of information and the due diligence which is going on, which is a normal feature of any contract of this nature. That inhibits some of the free flow of public discussion and communication that might otherwise go on, but that will cease as soon as the tenders are lodged. Despite that, following the Leader's public comments and at my request, both companies issued statements. It is worth noting that, in relation to the 'French' companies, one of them is teamed with Thames, so that bid vehicle is 50 per cent UK and 50 per cent French. In relation to Lyonnaise des Eaux, it includes P&O Australia, LendLease and B.C. Tonkin, so the French component is in the minority. However, I acknowledge that a component of it is French.

All of the bidders have formed Australian registered companies. The majority of them have established joint ventures and partnerships with Australian companies for the purposes of submitting a bid. I suggest to the Leader that the jury should stay out until the final tenders are lodged and we see the composition of the vehicles that are submitting bids for the outsourcing of the EWS functions.

**The CHAIRMAN:** The Minister queried the validity of the line of questioning. The Chair has a problem, as does the Committee, in that a succession of lines for examination this afternoon are really off balance sheet companies. They are there from the previous year in the budget estimates, but there is nothing for the coming financial year. Therefore, Minister, I simply ask that we exercise some flexibility, both from the Chair and from your point of view. You have had the kindness to agree unequivocally to examine these lines even though they are off balance sheet and, in a strictly Committee sense, they are not there to be examined at all. Whether the questions are on the papers is irrelevant, because they are off balance sheet papers.

**The Hon. M.D. RANN:** To try to explore this point, Monsieur Dominique Gerard, the French Ambassador, is coming here next month. During his visit it is important that the Opposition and the State Government express their very strong opposition to the French Government's resumption of nuclear testing in September, which is about the time the due diligence process starts, as I understand it. We have had these statements by the Australian representatives of the corporations, saying (and I have already read out one of them) that the Australian water service is concerned with the news, but the French company Lyonnaise des Eaux does not have a position on the French Government's decision to resume testing.

Should we not explore what the parent company's attitude is? After all, it wants to be a fair dinkum partner and a good citizen in our area. It has been doling out a bit of money during the tender process to sponsor various things, which is fair enough, and it wants to be a good neighbour in our region. I am saying that we should work together to establish the attitudes of the parent companies in France and if, as a result of that joint exploration, we find that the companies do support the Chirac Government's decision, what would be

your attitude to that? Would you say, 'We will not do business with them'?

**The Hon. J.W. Olsen:** Once again, I will answer the question, but I point out that we are going off on a tangent away from an economic assessment of the budget lines. I will not walk away from that. I point out that this line of questioning is outside the parameters of the Committee.

**The CHAIRMAN:** It really is the responsibility of the Federal Government, because it relates to international affairs. We commented on that during similar questions on previous ministerial lines.

**The Hon. J.W. Olsen:** I am quite happy to put on record my displeasure at and disagreement with the French Government. I have already put on record my support of the actions taken thus far by the Australian Government, which has looked at diplomatic and international forums and the downgrading of our representation in France. The appropriate forum for political and diplomatic decisions at this level is the Commonwealth Government.

As Federal Foreign Affairs Minister Gareth Evans said recently, by applying economic sanctions we will do more damage, harm, discomfort and distress to Australian people than we will to the French. Surely we are not in the business of creating problems for ourselves. It is a matter of making it difficult for the French. As the Leader would know, in the process of evaluating these bids I identified a whole range of factors that will be taken into account, including the integrity of the companies involved, as a result of my comments earlier this year. The process should proceed so that the bids are put in place. Integrity and probity clearly will be considered by the Government in respect of the bids through to November.

**The Hon. M.D. RANN:** The Minister says he wants to be satisfied about the integrity and probity of the companies. We have all seen European, French, British and other press articles about corruption charges made against the parent companies of both French water organisations. Charges are before the courts and, even though the Minister said that some charges and allegations were made in an election context, they are still being proceeded with in some arenas, and some charges relate to activities involving Governments overseas and campaign donations. That is why my line of questioning is relevant, particularly in light of all the hoo-ha in recent months about campaign donations laundered through Hong Kong, Singapore and the like.

If the Minister is looking at the integrity and probity of the companies, surely part of that process should be to look at the allegations raised in the French courts by the French police and the French justice system in terms of the integrity and probity of companies with which we might be doing business. Surely we should look at the integrity of the parent companies in regard to French nuclear testing because, if those companies do support the resumption of testing, that would mean that the Minister or the Government would have to decide whether they are worth doing business with.

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

**The Hon. M.D. RANN:** Will you be raising those questions with the French parent companies? You did not make that clear before.

**The Hon. J.W. Olsen:** Yes, I did. I have said publicly in South Australia *ad nauseam* that this process will have integrity and responsibility and that it will look at all those factors relating to those companies. I have said that publicly. I am surprised that the Leader has not caught up with that; or, if he has, he just wants me to repeat it again, which I will. The answer is 'Yes'.

**The CHAIRMAN:** It is the duty of the Chair to examine the probity of the questioning. The Leader is pursuing a line of questioning which implies impropriety through Hong Kong and other donations and denies the fact that the Electoral Commissioner, who was asked to examine the charges which the Leader raised, ruled that there has been no impropriety. It is the Chair's duty to point this out to the Leader. If he makes allegations which are unparliamentary, they should not go unanswered.

**Mrs PENFOLD:** Can the Minister inform the Committee of the EWS Department's plans for improving the environmental performance of the metropolitan waste water treatment plants at Bolivar, Port Adelaide, Glenelg and Christies Beach in order to ensure authorisation from the Environment Protection Authority for the operation of these plants?

**The Hon. J.W. Olsen:** The general principles which have been proposed to the Environment Protection Authority for enhanced environmental performance of these plants include the following: reduction in nutrients, minimisation of odour, new outfalls for improved dispersion, maximised effluent reuse where environmentally and commercially feasible, trade waste minimisation and a community information program.

The proposed environmental improvement programs are as follows: for the Bolivar waste water treatment plant there will be a process upgrade leading to nutrient reduction and odour minimisation at a cost of between \$30 million and \$40 million; for the Virginia pipeline scheme the benefit will be nutrient and flow reduction with final configuration to be determined, and measurement improvement of monitoring and environmental research at a cost of \$300 000 a year; and for the Port Adelaide waste water treatment plant there will be a process upgrade to meet EPA requirements in nutrient reduction and odour minimisation at a cost of between \$10 million and \$20 million, the outfall extension for improved dispersion will cost \$2 million and the measurement improvement of monitoring and environmental research will cost \$300 000 a year.

For the Glenelg waste water treatment plant the process upgrade will lead to nitrogen reduction at a cost of \$10 million, the outfall extension leading to improved dispersion will be \$7 million and the operational cost of the measurement improvement of monitoring and environmental research will be \$300 000 a year. For the Christies Beach waste water treatment plant the process upgrade to increase capacity, which will result in nitrogen reduction, will cost \$34 million; the outfall extension for improvement dispersion will be \$9 million; and the operational cost of the measurement improvement of monitoring and environmental research will be \$300 000 a year. The implementation of the environment improvement program will be managed by the outsourcing contractor. These plants, which will commence shortly, will be completed by the year 2001. I should also say that South Australia is the only Australian State that does not discharge sewage into any gulf, river, lake or waterway.

*Mr Foley interjecting:*

**The Hon. J.W. Olsen:** We are the only State that does not discharge sewage into any river, lake, gulf or waterway.

**Mrs PENFOLD:** Can the Minister explain to the Committee how water and sewerage costs in Adelaide compare to costs per household in Melbourne, Sydney and the United Kingdom?

**The Hon. J.W. Olsen:** I will elaborate on the answer I gave in Parliament following the radio advertisement that I vaguely recall talked about Betty in Australia, who had to



send money to her grandparents in the United Kingdom to help them pay their water bill. We have done a little checking to ascertain the comparative costs. It is interesting that the average total charge (residential) for water and sewerage in Melbourne is \$562, in Sydney it is \$490 and in Adelaide it is \$469. For Northwest Water, one of the prime contractors in that other area, the cost is \$398. So, rather than sending money to the United Kingdom to pay the water bill, the reverse should be the case. We can break it down even further into average water charges, sewerage charges within the Australian capitals and so on, but it clearly gives the lie that people under prime contractors are paying exorbitant water bills compared to what we are accustomed to paying in Australia.

**Mrs PENFOLD:** I understand that expenditure for re-laying metropolitan water mains will be increased for 1995-96 over that allocated for 1994-95. What is the proposed program?

**The Hon. J.W. Olsen:** The 1994-95 capital allocation for replacement of water mains in metropolitan Adelaide was \$611 000. Because of savings on other contracts during the year, other replacement projects were brought forward that will enable the total expenditure on replacement of mains to reach approximately \$1.3 million. Projects that have been brought forward are: part replacement of the Millbrook trunk main at Rostrevor; purchase of pipes for re-lay of main in Marion Road; replacement of section of main in south parklands adjacent to the Pavilion on the Park restaurant; and various small mains in the metropolitan area.

The 1994-95 capital allocation for replacement water mains in metropolitan Adelaide is \$1.836 million; various small mains across the metropolitan area will involve \$936 000; replacement of the main in Marion Road will cost \$400 000; and part replacement of the Millbrook trunk main, \$500 000. That level of expenditure is part of a planned replacement of water mains in the metropolitan area. Generally, as the Audit Commission indicated, water mains in metropolitan Adelaide are in sound condition, as evidenced by their relatively young age and by the number of bursts per 100 kilometres here compared with interstate. In that respect South Australia, despite its soil conditions, has a very good record. That does not mean to say that we do not need to have a clear focus on the replacement program, and the details I have indicated to the Committee establish the fact that there is an asset maintenance and replacement program, and an extensive and upgraded one.

**Mr FOLEY:** As we know, the EWS next year will be totally off budget when it becomes the SA Water Corporation, and forward estimates will not be appearing in the budget papers. I would like the Minister's commitment to having in place a process whereby we can have some figures before us come next year's Estimates Committee. What processes will be in place to have audited accounts and the annual report of the EWS in place, because, without that, this time next year our Estimates Committee will be a bit of a farce?

**The Hon. J.W. Olsen:** I am more than happy to take that on notice, give consideration to it and see how we can meet that requirement.

**Mr FOLEY:** I would like some information from the Minister in respect of the EWS's proposed involvement with EDS, and also the relationship with Tandem, which has announced its intention to set up a major Australian operation here in South Australia. What conflict is there between the

potential for EDS and Tandem? Who is running the EWS computer system: Tandem or EDS?

**The Hon. J.W. Olsen:** The Government was delighted when Tandem announced that it would establish in South Australia its advance development centre for the Asia-Pacific region, without a lot of bottom line costs in incentive and with a capacity to grow substantially. As a result of part of the contract that it had with the EWS Department, it was able to put in place a customer service information system and, as a result, a program is now in place whereby that product can be marketed internationally. Tandem sees real opportunities for that product and an export market of which the EWS (shortly to become the Water Corporation), and therefore the Government of South Australia, will be in part the beneficiary. The negotiations of the EDS deal will not impact adversely on this contract that is in place between Tandem and the EWS.

**Mr Phipps:** Also, discussions are presently occurring between us and the Office of Information Technology on the precise matters that have to be resolved in the hardware and installation in the EWS finally being absorbed into the scope of the EDS contract. We do not see any difficulties in any of that. All that is to be decided at present is the precise timing of the transition arrangements, and decisions on that will be made towards when the contract with EDS is signed.

**Mr FOLEY:** Do I take it, then, that the current figuring of the Office of Information Technology includes an estimated value of the EWS computer work? Is the Minister currently in the present round of bids for bulking up that Government work for EDS?

**The Hon. J.W. Olsen:** Yes; always have been.

**Mr Phipps:** The only issue that has to be finally resolved is the precise timing of the transition to the new situation. The reason why that precise timing has to be finally resolved is that the Tandem contract with the EWS is not yet finished, so there are a few contractual matters to be resolved in achieving the optimum timing of the transfer. We are just working that out with the Office of Information Technology with the full knowledge and cooperation of Tandem.

**Mr FOLEY:** How does Tandem feel about that, having undertaken work? Essentially, you are saying that once Tandem's contract finishes it has lost it; whether it likes it or not, it is then over to EDS. What are Tandem's views on that? Has it expressed views to the Government that it would like to continue the relationship with EWS?

**The Hon. J.W. Olsen:** If Tandem had any difficulties with the South Australian Government or its policy direction, it would not have invited the Premier and me to participate in the formal announcement of its advance development centre, how it had worked cooperatively with the South Australian Government, in particular the EWS, and wished to continue to work cooperatively with the Government of South Australia. If it had any difficulties with the EDS contract or the policy thrust of the Government, it would not be putting its advance development centre in the State of South Australia.

**Mr Phipps:** On a regular basis we meet with the company on formal project progress review programs. I have attended all the meetings except one. Mr Killmier attends, and at no time has Tandem expressed any problem with what is happening to us. The issue just has not come up. This is a meeting where the meaty issues are put on the table and sorted out, and the problems resolved, and the perspective that we have is that this is simply not an issue for it.

**Mr KERIN:** At this time of the year it would be normal for the sewerage and commercial water rates for 1995-96 to be announced. What will be the new charges?

**The Hon. J.W. Olsen:** Sewerage rates have been kept in line with the consumer price index, which would equate to about 20¢ a week for the average South Australian household. We have included in that an increase of .5 per cent in the environmental levy, which keeps the State to the forefront in waste water treatment technology. We still lead the States by not discharging any untreated sewage and providing both primary and secondary treatment for all sewage. That increase in line with the CPI means that SA Water (currently EWS) will continue to offer customers good value for money with service charges still amongst the lowest in Australia, and the Government intends to keep it that way.

In relation to commercial water rates, further evidence of the Government's commitment to keep the costs to business down is the reduction in commercial water prices. Water charges for commercial properties, which include shops, offices, retailers, wholesalers, businesses and professional services will decrease by 2.5 per cent.

**Mr KERIN:** In respect of the Government's announced build, own and operate water filtration program to service communities in the Adelaide Hills, the Barossa Valley, part of the Mid North and towns along the River Murray, will the Minister advise the Committee what stage the program has reached and what are the milestones ahead?

**The Hon. J.W. Olsen:** This is a very important program in which I am taking a close personal interest. It has been long overdue. People living in the Adelaide Hills, the Barossa Valley, the Mid North and major centres along the River Murray, understandably, have been dissatisfied with the quality of their water supply. In particular, in the Adelaide Hills and the Barossa Valley it has an impact against tourism development and value adding and primary production where the quality of water has not enabled processing to be put in place in a number of those locations. Therefore, in terms of our value adding on primary production as well as the aesthetic qualities of water, there is a need to filter that water.

Expressions of interest from the private sector were called in February for providing filtered water to the Adelaide Hills, the Barossa Valley and the Mid North by December 1997. As I indicated earlier, hopefully, by June 1997 in part that will be complete. Twelve responses were received to the expressions of interest and a selection process has now been completed to short-list the applicants who will be invited to tender in the next week or two. Applicants consist mainly of consortia or individual major companies with subcontract associate companies. Many leading Australian companies in the water, engineering, finance and construction areas are represented in that group of 12.

It is planned to have the service provided by the private sector under the build, own and operate approach, which involves financing, design, construction and operation by a private company in accordance with set EWS specified standards. The project has been considered by the Public Works Committee and its report is to be tabled in Parliament in early July. I understand that it has been delivered to the President and the Speaker.

The scheme will provide filtered water to Aldgate, Bridgewater, Hahndorf, Heathfield, Lobethal, Mount Barker, Nairne, Stirling, Woodside and several other smaller communities in the Adelaide Hills. Communities in the Barossa Valley and Mid North served by the Swan Reach-Stockwell pipeline system will receive filtered water from the

same scheme. Towns supplied directly from the River Murray to be included in this scheme are Milang, Strathalbyn, Taillem Bend and communities connected to the Keith pipeline, Murray Bridge, Mannum, Waikerie, Barmera/Cobdogla, Berri, Loxton and Renmark. It is planned to let the contract for this work early in 1996, which will enable plants to service the Adelaide Hills and the Barossa Valley and Mid North to be operational during 1997 and the River Murray towns shortly after that.

**Mr KERIN:** As we know, the Engineering and Water Supply Department is to be corporatised. Can the Minister indicate whether the implementation date of 1 July 1995 is likely to be achieved?

**The Hon. J.W. Olsen:** Yes. I am pleased to say that the South Australian Water Corporation will commence on 1 July, as I indicated in the second reading explanation of the Bill, which was passed in the Parliament late last year. The corporatisation of a major water utility or department such as the EWS represents a major milestone in the objectives of the Government. Not only does it meet the Audit Commission's recommendations and thrust but it is consistent with Hilmer and the COAG sign off. The reform process is vital if South Australia is to be able to compete against the other States. South Australia needs to show that its public sector is competitively focused and that the water industry in this State is strong and vibrant and able to gain a share of the Asia-Pacific water and waste water treatment infrastructure market and opportunities.

Corporatisation provides the institutional form best able to focus on the commercial needs of a public utility providing essential services and to support the water industry to become a basis for economic prosperity in South Australia. It is a very important step forward. This Friday will see the conclusion of the EWS Department, as we have known it and which for 65 years has supplied water and sewerage services to South Australians. It will then move into a new phase to meet the challenges of the future.

In my opening remarks I referred to the substantial structural change and the significant contribution that EWS is now making to our finances. Had it not been for the outstanding performances of EWS and ETSA last year, the finances, taxes and charges of South Australia could not have been kept in line with the CPI, as they have been, or there would have been a further reduction in the provision of other essential services. The performance of these two Government trading enterprises has provided a very real service to South Australians. It will set a real benchmark and opportunity so that we can be ahead of the Hilmer reforms and ensure that South Australia is not financially disadvantaged in disbursements from the Commonwealth through not meeting the Hilmer objectives. We are ahead of the pack and we intend to stay there. On performance to date, this organisation has demonstrated that it can stay there.

**Mr FOLEY:** The Boston report has been put forward as the genesis of the concept of outsourcing that the Minister is now well down the road towards implementing. Will you table the Boston report and allow us to look at it? I would be interested to see the content of that report.

**The Hon. J.W. Olsen:** No. The Boston report is the basis upon which Cabinet has made determinations. The honourable member would know that Cabinet documents are not released publicly. I was going to offer the honourable member a briefing, but I understand that he has already had one, so there is not much point in my offering a briefing the second time around.

**Mr FOLEY:** Will I be able to see the Boston report?

**The Hon. J.W. Olsen:** No, because it is part of the submission to Cabinet.

**Mr FOLEY:** I beg to differ. A report to Government does not then become in itself a Cabinet document. A Cabinet document is that: a Cabinet document. Attachments such as that are and should be available through FOI.

**The CHAIRMAN:** There is no requirement for Cabinet to release any document which it considers to be a Cabinet document. The discretion as to whether it releases reports has always been within the purview of Government.

**The Hon. J.W. Olsen:** This Cabinet works with a whole range of information made available to Ministers so that they can make good value judgments. Cabinet submissions are invariably accompanied by detailed reports upon which the Cabinet submission is structured and based. For the benefit of the honourable member, I will make arrangements for an EWS officer to go through the Boston Consulting Group's report. It is not a report that can be released publicly for the reasons I have given, and that is nothing new, Mr Chairman.

**Mr Foley:** Given the significance of the changes we are now seeing with the way water is operated in this State, I think it is important and more than appropriate for the Opposition to look at the Boston Consulting Group's report, which is the report that has given the Minister this direction. I do not think that is an unreasonable request. I take it, from what the Minister is saying, that he will allow me to have a private briefing on the Boston report?

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

**Mr FOLEY:** Is the Minister aware of, and will the Minister confirm that he possesses, a report undertaken a month ago by Bain and Company of the Deutsche Bank Group which I understand was commissioned by the water industry in Australia and which is a detailed document containing a number of conclusions alluding to the fact that an Australian consortium could be formed if the Minister were to give a three month pause for the contract process? I understand that the report also finds the economic development benefits expected by the EDA and the Government unlikely to be met. I also understand the report is sceptical about a whole range of the economic development benefits, and expresses a number of other concerns about the Government's process. Does the Minister have such a report in his possession?

**The Hon. J.W. Olsen:** No, and neither does the EWS Department. I have not seen it and it is not a report that has been made available to departmental officers. We have put in place with a range of industry sector groups—EMIAA and others—a mechanism by which they are involved with EWS to ensure maximisation of Australian industry involvement in the consortium. I put that in place following discussions at the industry Ministers' meeting some time ago, and I understand several meetings have been held. They were very productive meetings at which there was support from EMIAA and others for the thrust we are undertaking and for maximising Australian industry involvement. That can be demonstrated clearly through the 190 companies in South Australia that want to be part of this process. I think that is an indication of endorsement from industry in South Australia. They want to link to the economic development opportunities that have been created by this outsourcing proposal of the Government.

**Mr FOLEY:** The Government or you, as Minister, are not in receipt of a report from Bain and Company, and nor are you aware of such a report being commissioned?

**The Hon. J.W. Olsen:** No. My understanding is that the report to which the honourable member refers is a privately commissioned report, which has not been discussed with either officers or me.

**Mr FOLEY:** You are aware of its existence?

**The Hon. J.W. Olsen:** I will ask Mr Killick to elaborate.

**Mr Killick:** We have been informed that EMIAA has privately commissioned Bain and Company to review and provide a report on this outsourcing contract, but it is privately commissioned and has not been made available to us.

**The CHAIRMAN:** It is therefore outside the Minister's line of responsibility.

**Mr FOLEY:** If and when such a report is made available to the Government—however the industry may choose to deal with that report—will the Minister give a commitment to consider its recommendations and findings, given the pre-eminence of Bain and Company as financial advisers, and undertake in your final decision making process to consider what it recommends?

**The Hon. J.W. Olsen:** We are already working with Dr John Cole, who has had a number of discussions with EWS. It was a matter that was raised by them with me last year. I have met them I think twice—once earlier this year, I am reminded. They are cooperating and are supporting—that is clearly the advice Dr Cole gave me at an outsourcing presentation at the Terrace Intercontinental Hotel to the 190 companies that want to be part of the process. He indicated his support and willingness to be involved with us to ensure the maximisation of Australian industry involvement, which is an objective we all share. They are cooperating with us in that regard, and that cooperation will continue.

**Mr EVANS:** What are the implications of the financial results reported by EWS in recent years? In particular, how does the financial performance of EWS impact upon the State's Consolidated Account?

**The Hon. J.W. Olsen:** The results for the past five years show EWS profits improving from \$3 million in 1991 to a forecast profit of \$79 million for the current year. After adjusting those figures for changes in accounting policy and key variables such as inflation, water consumption and State grants, profits increased by some 100 per cent over the five year period. The result is even more noteworthy given that interstate comparisons show that on average water and sewerage charges in South Australia are among the lowest in the country—and I have made reference to that several times today.

The improved financial performance of EWS has meant that EWS has been able to make an important contribution to the State's income. That, as I mentioned earlier, has assisted the financial outcomes of the State. It has meant that taxes and charges have been kept down. It has meant that we have been able to reduce the cross-subsidies from business on water to residential consumers, removing that cross-subsidy—that penalty—on business, not by disproportionately increasing residential but simply through productivity and efficiency passing those gains on.

In the four years 1985-87 to 1990-91 EWS financial operations represented a draw on the State budget of some \$140 million. This position was reversed in the four years 1991-92 to 1994-95 with EWS making a positive contribution to State coffers of \$90 million including a dividend of \$52 million in the current financial year, with a further special dividend of \$8.5 million from vehicle sales. It is

expected that the new corporation will increase the dividend to \$62 million in the next financial year.

**Mr EVANS:** The South Australian Commission of Audit recommended the adoption of accrual accounting within Government agencies. Given that EWS or SA Water is a key Government business enterprise subject now to national scrutiny, will the Minister advise how the EWS Department's financial systems and practices compare with those in commercial practice?

**The Hon. J.W. Olsen:** EWS is one of the leaders in financial management reform in the public sector. It has prepared annual financial statements on an accrual accounting basis since 1989-90, and, following the implementation of the computerised financial management system in July 1992, all financial management reports have also been prepared on a full accrual basis.

Accrual accounting as a concept provides the means to better evaluation financial performance and improve accountability, and is not an end in itself. EWS financial reporting has improved considerably with the introduction of a commercial financial management framework. The financial accounts are based upon sound commercial accounting practices and comply with the requirements of the professional accounting standards, obviously. EWS has prepared auditable financial statements comprising an operating statement, a statement of financial position and a statement of cash flows. That ensures full disclosure of the financial status of the organisation, including all assets and liabilities.

Expenditure commitments and contingent liabilities are also identified and reported in the financial statements. The integrity of the financial data is assured by a financial management framework which includes formal accounting policies and procedures, regular reconciliations, and an internal audit function. Expenditure incurred is properly matched against revenue to provide an accurate representation of the organisation's financial performance and enable performance comparisons within the water industry.

By removing the complex accounting arrangements that existed under a cash-based accounting system, the financial management and reporting process has been refined to enable EWS to prepare detailed internal financial reports within two days of the month and the Minister's and EWS executive reports within 14 days of month end, which is well in line with commercial best practice. I can assure you, Mr Chairman, that that is an invaluable asset to look at and monitor the performance of any organisation. The staff are to be commended on that outcome.

Furthermore, during 1994-95 EWS introduced quarterly financial statements. I believe that it is one of the first to do so in the State public sector. Those improvements ensure that EWS is in a sound position for corporatisation and for board management in terms of meeting the performance charter that the Cabinet signed with the Water Corporation to commence next week.

**Mr EVANS:** As a resident of the Adelaide Hills, I cannot help but ask this question.

**Mr Foley:** Is it self-interest?

**Mr EVANS:** It is not self-interest; it is whole family interest. What progress has been made to date on the installation of sewerage to the Adelaide Hills suburbs?

**The Hon. J.W. Olsen:** Sewerage of the Adelaide Hills, particularly the developed areas there, is being undertaken to reduce the impact of septic tank effluent discharge in catchment areas. That is a continuing program. The estimated

total cost of that scheme is \$24.3 million. Funds are allocated from the environmental enhancement levy. The proposed allocation for 1995-96 is \$750 000. Estimated expenditure for the current year is \$750 000. Expenditure to date is approximately \$4.3 million.

To ensure optimum use of funds and, again, maximum benefits, the local council is consulted in the determination of the priority of works on an area basis. Work in the priority area of Stirling south west was completed in April 1995, and work has commenced in the Piccadilly area. The Government is considering adjustments where there are advanced sewage treatment systems and the offsets. I hope to be in a position to announce something on that matter shortly.

**Mr FOLEY:** I refer to more specific details of the outsourcing contract. Will you undertake to lay on the table the final copy of the signed contract? What process will you make available for Parliament to scrutinise the completed document?

**The Hon. J.W. Olsen:** I will seek the Crown Solicitor's advice on that matter and will respond to the honourable member.

**Mr FOLEY:** In any analysis of outsourcing anywhere in the world, the issue of accountability and the monitoring of the performance of the contract is clearly the most important issue. Many jurisdictions around the world have put in place different mechanisms to allow appropriate scrutiny. What do you propose to enable this Parliament to have full transparency and full accountability? What mechanism would you put in place to ensure that Parliament can oversee that contract?

**The Hon. J.W. Olsen:** The contract will include quite clear and specific performance measures and targets with which the company will be required to comply. There will be rigorous checking of those performance targets, and credits, penalties, sanctions and cancellation options will be available to us in regard to the outcome and performance of the contract. Be assured that the contract being prepared will be rigorous intellectually in terms of its capacity to bind the contractor to those outcomes. Better than anticipated performance will generate credits; shortfall will generate debits. In addition, other measures will be incorporated in the program.

Under the proposals, they are being required to supply us 25-year, 15-year, 10-year, five-year and one-year plans. The honourable member will be well aware that the Government will retain control of the asset, control of setting the price of water and sewerage, control of the quality enforcement programs, and control of the asset maintenance and upgrading formulae to be applied. That is why the corporate body will continue with some 1 500 employees after the outsourcing. The transfer will be a seamless operation from the corporate body to the outsourcer. I assure the honourable member that there will be a minimum of two years' track record performance before the next election, demonstrating that the unfounded fear and speculation of many in terms of the escalation of prices will be exactly that—absolutely unfounded.

**Mr FOLEY:** I appreciate the Minister's presentation, but he has skilfully avoided the question. I suspect that the community's ability to monitor price increases will be fairly transparent—they will see that in their quarterly bills. That aspect does not worry me; I do not think that it will escape anyone's attention, should it happen or should it not happen. Although I appreciate and accept the Minister's sincerity in how he will try, through all best endeavours, to have the best contract possible, the contract will last 15 to 25 years. Many Governments will pass through this place. I am

not concerned about what Executive Government may think is good internal monitoring: I want parliamentary scrutiny of the largest contract of this type ever signed in the country.

What transparent process will be in place to monitor it through the Parliament? By that I mean a committee of the Parliament—the Economic and Finance Committee or whatever. There must be a parliamentary mechanism to monitor the contract at least on a yearly basis to ensure that Parliament is satisfied, given that it will go well beyond the life of this Government and the next.

**The Hon. J.W. Olsen:** We anticipate still administering the contract.

*Mr Foley interjecting:*

**The Hon. J.W. Olsen:** If misfortune should allow that to happen, you will have a great deal to look after. The greatest test of performance will be applied by the consumers in respect of the reliability and quality of the water and sewerage service. There is no greater test that will raise the profile and reaction of consumers in South Australia if the deliverables are not there to that which they have been accustomed in recent years. You will not need any performance monitors to tell consumers in South Australia that that has fallen off. That is the biggest barometer, and I can assure members that that barometer will not be called into question as a result of lack of performance by the contractor.

As has been the case in the past with performance targets, annual reporting on those targets is an option for the Parliament. The member for Hart, as a member of the Economic and Finance Committee, could get his committee or the Environment, Resources and Development Committee to look at those performance measures and make a judgment on the company. Clearly, Parliament has the capacity and ability to monitor the performance of the prime contractor. The performance charter that is put down will include the quality and performance measures and the deliverables that will be required of the prime contractor, and there will be an annual report demonstrating the performance against the targets. So it will be transparent, visible and open for the member for Hart to commend the Government on the basis of the outcomes.

**Mr FOLEY:** I would be the first to commend the Government if it did something that I thought was commendable. You are saying that I, as a member of the Economic and Finance Committee, can go to my next meeting and move that we scrutinise this water contract on, say, a half yearly or yearly basis, and you will make Water Corporation officers available so that the committee can become the vehicle for this Parliament to scrutinise the performance of that contract. Are you giving me that commitment?

**The Hon. J.W. Olsen:** That EWS officers will be available to report on the performance of the company versus the targets?

**Mr FOLEY:** You will allow the Water Corporation to cooperate with the Economic and Finance Committee on a regular basis so that we can become the monitoring agency of the Parliament for the performance of the contract?

**The Hon. J.W. Olsen:** I do not have any difficulty in terms of reporting to EPAC, but that committee will not be the monitor or judge of it. It will report to Parliament. That is the role of EPAC; not to be its custodian. I guess it was the way in which the question was phrased. I have no difficulty at all in having the matter aired before the committee.

**Mr FOLEY:** So we have a practice set in concrete that will survive the life of this and future Governments, whereby the Economic and Finance Committee will have not necessa-

rily a monitoring role on behalf of Executive Government but an ongoing role similar to the situation in respect of the MFP and others. Perhaps the Water Corporation Act could be amended to provide that the Economic and Finance Committee look at the corporation and report on a yearly basis. I do not think that is an unreasonable request. You are concurring with the view that we could look at a legislative amendment to make the Economic and Finance Committee a reporting body.

**The Hon. J.W. Olsen:** The Public Corporations Act already contains a reporting provision, so you do not need to legislate further. There is a reporting provision. However, I point out that I would have no difficulty in putting in place a practice to be followed which will meet the requirements of the member for Hart.

I wish to add to an answer I gave earlier today. I asked my office to check on the so-called Bain report. A copy of the Bain report has been received in the past few days. I have not read the report, but the question was whether I would read it and consider its recommendations. Yes, I will consider it. Based on advice received, I understand that the Environment Management Industry Association of Australia has been proactive in working with us in the past few months. It is a good working relationship and, on the basis of the cooperative nature of the relationship, we will work through that system. I think I indicated earlier that I did not have the report.

**Mrs PENFOLD:** The EWS Department's profitability appears to be improving each year, highlighted by the revised profit forecast for 1994-95 of \$79 million, which is an increase of about \$19 million over 1993-94. How has this continued improvement in the department's profitability been achieved?

**The Hon. J.W. Olsen:** The results for the past five years show the EWS profits improving from \$3 million to the forecast of \$79 million for the current financial year. After adjusting these figures for changes in accounting policy and key variable factors such as inflation, water consumption and State grants, profits have increased by some 100 per cent over the past five years. I acknowledge that the current Government cannot take the credit for the department's performance for all of the past five years and that some of the reform program was started by our predecessors.

The EWS profitability is underpinned by efficiency improvements achieved by a combination of internal performance improvements through changes in work practice and contracting out of services. The success of these initiatives is reflected in the improvements in several key indicators. Work force numbers have been reduced by 43 per cent. Work force levels are expected to be 2 200 by 30 June. Over the same period operating management and administration costs per customer have fallen by an average of 19 per cent for water and sewerage business undertakings. Increases in revenue during 1994-95 have also contributed to profits. This includes a 15 per cent increase in water consumption over the previous year, a 10 per cent increase in sewerage revenue and a \$1.6 million increase in profits arising from the sale of surplus plant, equipment and land.

A comparison of interstate water and sewerage charges shows South Australia to be amongst the lowest in the country, and I have given a commitment that that is where the Government wants to keep it. While the EWS has made significant improvements in profitability, continual cost cutting cannot be sustained in the long term. The operational costs have a flaw, and that is why we are pursuing

outsourcing. The outsourcing and performance improvement plan will fundamentally change the way the new corporation meets its responsibilities and will ensure that the lowest cost structure is in place for the future.

**Mr FOLEY:** I thank the Minister for clarifying an earlier statement that his department had not received a copy of the Bain report into the intended outsourcing of water services in this State. Now that the Minister has received a copy, and whilst I accept that he has not yet had a chance to peruse it, I point out that it is an important document because I understand it is a detailed assessment—

*Members interjecting:*

**Mr FOLEY:** Members would not want to argue about the pre-eminence of Bain and Company, which is one of the leading corporate advisers in Australia. This is a significant document in the whole debate about whether or not water outsourcing is the right process. I have not yet had the privilege of reading the report, but I understand that its conclusions will have serious implications on the outsourcing contract. I understand that the report states that Bain and Company is concerned with the outsourcing proposals; and it argues that there is a lack of clear data on which to base projected savings and to maintain pressure to realise these savings. It also talks about a lack of competitive pressure over the 15 to 20 year life of the contract.

I understand the report goes on to say that outsourcing involves little in the way of technology transfer. I understand that Bain and Company is sceptical about the deliverables in terms of the economic development agenda, and I understand it makes the point that it does not believe that the Government's expectations in respect of economic development can be met. The Minister says that he has not read the report, and nor have I, but I have been advised about some of the content. This is an important document in the whole debate on the water issue. The Minister has decided to base his decisions on the outcome of the Boston Consulting report, which none of us has seen. We now have a report by an equally pre-eminent financial and corporate adviser in Australia, the Deutsche Bank through Bain and Company, arguing that there may be real problems.

I ask the Minister to make this report public, provide it to the select committee and allow community debate around the merits of the report, because this is clearly an important moment in the whole process. You now have a detailed assessment of your proposal that offers significant criticisms about the way that you are heading, and it also draws on the conclusion that an Australian consortia would be possible and that a simple three months pause would allow a substantial Australian consortia to get together and become part of the bidding process. The report criticises the Minister's approach on his key fronts. Will the Minister table the report and allow it to become subject to community debate?

**The CHAIRMAN:** Before the Minister responds, the question appears to be hypothetical. The member has freely admitted that he recognises that the Minister has not read the report. The member acknowledges that he has not read the report, yet he quotes freely from something that may be contained in it. It is entirely at the Minister's discretion whether he responds.

**The Hon. J.W. Olsen:** I was going to preface my remarks by saying, 'Here we go again.' It seems today's line of questioning has been in the realms of possibility. You are talking about a report that you say you have not read, yet you are supposedly quoting extracts from the it. The honourable member is claiming great authority on something he has not

read. If (and I stress 'if') this report has been prepared, it has been done when there is no contract in place, they have not seen a request for a proposal, so any decisions they have come to have been made in a vacuum. How, therefore, can it have the authority the member for Hart talks about? One thing is for sure: the process upon which we are embarked will be fulfilled. There will be no deviation from the program that has been laid down. On information given to us from time to time, we will have discussions to maximise the outcomes for Australian industry. As I have said on numerous occasions before the Committee, the simple fact is that we have a very good working relationship with EMIAA which, as I understand it, has been working cooperatively with the EWS for the past couple of months.

**Mr FOLEY:** Again the Minister has avoided the essence of the question. What he is now saying is that the Australian water industry has worked closely with him and his agency; it has commissioned a report from an independent financial and corporate adviser of which nobody could ever dispute the credentials. I am now saying that, if the report contains the sorts of criticisms that I believe it does, the Minister simply cannot ignore those. They must become part of the public debate. Will the Minister table the report?

**The Hon. J.W. Olsen:** It is not my report. I have not received the report. It has nothing to do with the Estimates Committee. There is no line under which we are probing. The answer to the member for Hart is 'No.' I have indicated to him that, when I get the report from the department or wherever it is at the moment, I will look at it and give detailed consideration to it, and I have indicated to him that will be the course I will take. If the honourable member wants to ask me further questions, he has the whole parliamentary procedure under which to do so.

**The CHAIRMAN:** The honourable member will appreciate that the report is part of a hypothetical question. The report has no status before the Estimates Committee. The report is not commissioned by the Minister and the Minister, not having commissioned the report, has absolutely no authority to table it at some subsequent date. How the honourable member obtains a copy of it rests within the honourable member's discretion, but the Chair cannot really allow further questions on a report for which the Minister is not immediately responsible.

**Mr FOLEY:** I appreciate your comments, Mr Chairman. The report clearly now has some very real status, and I take your point that it is up to the Opposition to obtain a copy by whatever means we can to introduce it into the debate, and I will endeavour to do that.

*An honourable member interjecting:*

**Mr FOLEY:** No, the report as it stands. We are talking about the most significant change ever to the way we run water in this State, which will last in place for 20 to 25 years. I think it more than appropriate that I endeavour to get out all the arguments so that we can have a rational debate about the merits of this proposal.

The appointment of Ian Kortlang as adviser to the EWS has intrigued me. The honourable member will be well aware that he is a former chief of staff to Nick Greiner (whilst Premier of New South Wales) and former chief of staff to Andrew Peacock (as Leader of the Opposition). No doubt, he is a very senior member of the Liberal Party. Coincidentally, Nick Greiner is the Chair of Northwest Water. I am intrigued to find out how and why Ian Kortlang was appointed media adviser to the EWS. Did a proper tendering process occur and

what is the value of the contract? What involvement did the Minister have in this process?

**The Hon. J.W. Olsen:** In answer to the last question, none. In relation to the other components of the question, the honourable member, as I understand it, has a whole series of questions under FOI under consideration by the department. They will be answered in the fullness of time.

**Mr FOLEY:** The Minister has not answered my question. What is the value of the contract and has an appropriate tendering—

**The Hon. J.W. Olsen:** Less than \$100 000, and I have said that on radio I do not know how many times. I will state it again and again if the member for Hart is a slow learner or listener: it is less than \$100 000.

**Mr FOLEY:** The Minister might have the time: I do not have my ear glued to the radio all the time. I must have missed it.

**The Hon. J.W. Olsen:** The member for Hart was on the same radio program that I commented on, so he must have had his ears blocked at the time. The fact is that it is less than \$100 000.

**Mr FOLEY:** What tendering process occurred? Was Ian Kortlang just awarded this contract? It is an extraordinary decision, should a contract simply be awarded without due process of tendering, particularly given the politically sensitive nature of Ian Kortlang's involvement with the Liberal Party at the highest levels.

**The Hon. J.W. Olsen:** Several weeks ago the member for Hart put up a series of questions under the freedom of information legislation. They are being addressed and he will be supplied with the information as requested under FOI. There is no point in having two bites at the cherry. He has the application in; he will get the information.

**Mr FOLEY:** I am just surprised that there is a problem in providing that information to me today. I appreciate that FOI is for all documentation and I will await it with interest, but my question was quite a simple but important one. The Minister is obviously refusing to answer any questions relating to Ian Kortlang.

**The Hon. J.W. Olsen:** I am not refusing. I simply make the point to this Committee that several weeks ago, if not a month or more ago, the member for Hart put in place a request to the department under FOI. It is being processed and he will get the information he wants in accordance with FOI.

**The CHAIRMAN:** I simply advise the honourable member that there is no more denial of response than were the question to be placed on notice or were the question to be put to the Minister for a subsequent response in *Hansard*. The Minister has acknowledged the question and says that he will answer.

**Mr FOLEY:** What involvement has the Auditor-General had in the process to date? Obviously, he is not involved in the tendering process, but what role has the Auditor-General played to date?

**Mr Phipps:** We had discussions at the very start with the Auditor-General about the approach that we are following, so that we could have regard to his views, expertise and advice. Subsequently, a key milestone for the project was the preparation of the request for proposal and the approach we were taking in putting out that document. The Government has a steering committee of officials who report to a subcommittee of Cabinet on this process, and the Auditor-General met with that steering committee of officials of the Treasury, the Economic Development Authority, the Office of Public

Sector Management and me to discuss the fundamental issues that we must ensure are observed in following the process through.

His last remarks on that matter were at a meeting of that steering committee in the few weeks before the request for proposal was issued and before it was approved by the Government. We are making sure that the Auditor-General has the opportunity to provide his advice and that we have the opportunity to receive it. The Auditor-General's senior staff spend a considerable time in the department as part of their day-to-day external audit responsibilities and they receive a comprehensive briefing from time to time as they require it. They are continually briefed on the current state of the project, and any comments they make are taken into account.

**Mr FOLEY:** Have any concerns been expressed by the Auditor-General to the team?

**Mr Phipps:** No concerns: just his wise counsel on important issues that we have to follow in the process. I refer to issues of probity and due diligence and making sure that all the decisions that we take in advising the Government are based on a proper evaluation and that there is a strong trail of diligence in the decision making process.

**Mr FOLEY:** What outside assistance has been sought in negotiating the contract; have specialist legal, other advisers or consultants been appointed; and can we have a breakdown of the expenses to date on the bid process as was provided by the Deputy Premier in respect of EDS the other night?

**The Hon. J.W. Olsen:** I point out that the EDS project is a lot further advanced than the EWS project. For example, the negotiating teams, which have been in place for some time in the development of contractual options, are only in the formulation stage as it relates to the outsourcing contract for the EWS. We have sought and obtained external advice from a range of consultants. I will ask Mr Phipps to identify the range of external consultants, which will demonstrate the thoroughness with which we have undertaken the task to get the best possible advice in this procedure. We do not have the costings available. We will undertake to look at that and get some quantification.

**Mr Phipps:** The people who are providing external advice to us are the Boston Consulting Group with respect to strategic advice; and Price Waterhouse Urwick is involved in detailed advice on implementation. We had advisers on the economic development strategy that we are pursuing through the RFP. We have Penny Burns from Infrastructure Economics and Robert Hogarth of Robert Hogarth and Associates. We have Fay Rich White, merchant bankers, who are reporting to the Treasury and EWS as independent reviewers of the financial aspect of the project. We have Shaw Pittman, Potts and Trowbridge, a legal firm based in Washington, who have been providing advice to the Government on the EDS contract and on this particular contract.

Also, we have a number of services being provided by Crown Law. With regard to the negotiation process, we are planning for people from the Crown Solicitor's office and a South Australian law firm, Shaw Pittman, Robert Hogarth and Associates and Fay Rich White to be involved in the forward program from here on. As we finalise our assessment of the costs coming up to the end of the process—and that is imminent—we will be able to provide an indication of what is involved in the negotiations. We will also have a person to lead the negotiating team, so that will be another cost.

**Mr FOLEY:** How many staff will be engaged on managing the prime contract; how will the EWS be reorganised to undertake this responsibility; and what additional cost

will be incurred by the EWS in supervising the prime contractor?

**Mr Phipps:** We are presently working through the detailed structure that we will require to manage the contract. There are indicative estimates around of the cost that would be involved, but in the end the precise structure and number of people who will be involved in managing it will depend on the final details of the scope of the work and the contractor's structure. At this stage we are carrying out detailed work on the structure of the functions that will be retained by the EWS, and that will include the structure that is required to manage the contract. We will be discussing that structure with the board of the new corporation.

The structure needs to be arrived at in the context of the overall structure of South Australian Water when it becomes the Water Corporation on 1 July. It is important that we do not arrive at a structure for managing the contract in isolation from the overall structure of the organisation, so we need to discuss that with the board. The reason is that this is not just a technical contract: it is a contract which includes the objective of economic development, and in particular the development of a strong and viable South Australian water industry operating in Asia. That objective is as important as the technical contract of delivering cost effective water services in Adelaide. For that reason, the structure for managing a contract that has to deliver that pair of objectives has to be integrated closely with the overall structure of the new corporation. We are doing work on that and we will be discussing it with the board of the corporation in the near future.

**Mr FOLEY:** One thing that interests me is how the Executive Government will communicate and manage directions to the prime contractor. You will have the Water Corporation and the prime contractor and above them will be the Government. Clearly, you will work through the Water Corporation, but what will happen down the track if there are disputes about where the prime contractor wants to head and what the Government believes the objective should be? For example, there may be a dispute between the contractor and the corporation and the Government about what particular function or investment decision should be taken.

**The Hon. J.W. Olsen:** The honourable member knows that the legislation we passed last year gives the capacity for the Minister to direct the board in circumstances where the Government so determines. That is a power which is included in the ETSA Corporation Act and which applied to the previous ETSA board. The same provision will apply in this case. In any event, under the Public Corporations Act there is a performance charter established on an annual basis between the Government and the board where clear parameters for operation will be established, and those parameters will be expected to be maintained and delivered. I envisage that the Government would be actioning the section of direction to the board when there was failure to meet that performance charter as agreed over the course of the operation of the year.

**Mr FOLEY:** Will the Minister expand on credits and debits a little bit? I am interested particularly in the credit side of things. What does the Minister mean by the company's earning credits?

**The Hon. J.W. Olsen:** It was no different from the enterprise agreement put in place, to the credit of Claire Bossley in the human resource section. The Australian Industrial Relations Commission and the Employee Ombudsman commended the EWS for the outcome of that enterprise

agreement: there is some \$31.4 million performance outcome under enterprise bargaining. Any outcomes greater than that will see a sharing of that reward between the employees and the Government as I understand it on a 50/50 basis. The provision that applies to the performance of employees in terms of productivity and efficiency is the same sort of encouragement that is in place currently in the request for proposal (RFP) which will form part of the contract that is out at the moment and will be returned with the bids on about 7 August. If they outperform the contract, that is, if they deliver better than the contract demonstrates, they should receive some incentive and encouragement for doing so. It is no different from the enterprise agreement that has been put in place with the employees of the EWS or the Water Corporation. We want this body to perform and perform exceptionally well. If it does so, it will receive some financial reward for doing so. Likewise, should it not perform, there are significant financial penalties for non-performance.

**Mr FOLEY:** Whatever the contracted price may be between the successful company and the Water Corporation, should they deliver a more efficient service than they had tendered or put a bid in for, will they receive all the extra savings they make or a proportion? What is the split?

**The Hon. J.W. Olsen:** As the member for Hart well knows, they are details that would be negotiated in a contract and a bid that is put in place. We have asked the principal prime contractors to put in a bid in conjunction with their joint venturers, the partnering arrangements that they now have in place under these Australian companies that are now registered to be the bid vehicles. The performance will be measured, agreed to and incorporated into the contract, with which the company will then be required to comply. You are simply about 10 paces before the process: you have to have a contract in place. In negotiation we will, after 7 August and after the final assessment of the bids in working with several companies to determine the best bid, select a bid and negotiate those conditions based on the bid that they have put in place. That is why a Bain and Company report, speculative as it might be with suggested outcomes, as the member for Hart might suggest, cannot be accurate in its judgment on meeting performance or economic development criteria and the like. Those matters simply have not been determined and locked in place yet. I keep saying: no operational saving, no economic development, no deal.

**Mr FOLEY:** I am pleased to see that the Bain report is receiving the legitimacy it deserves: the Minister is already attempting to discredit the document. On the credit issue, the Minister says that it is a bit like the performance bonus scheme paid to senior executives of this Government: in this contract, the contractor will be given a bit of a carrot in that, if the contractor performs better than the contract, there is a financial reward in it. Does that not cause you some concern? I am a little concerned about how that will be achieved, given that the contractor will already have to put in a very competitive bid to win this work given there are three companies tendering. The level of service that is provided ultimately to the consumer will be something the Opposition will monitor with interest. You then put in another financial incentive to do it even more efficiently—which obviously does not concern you because it is in the contract. On the limited information you have provided today, it is a unique aspect of this contract and something, I dare say, that is a little out of the bag. It is something I have not been aware of in Government contracts before?



**The Hon. J.W. Olsen:** The simple fact is that the last statement of the member for Hart is totally inaccurate. Any modern, commercial private sector business practice has these provisions in it. A few cursory phone calls around the place would clearly demonstrate that point to the honourable member. I am pleased that the member for Hart has acknowledged in his preamble that there is keen competition for this. So, we will get a good competitive bid. Clearly there is the inference that it is and can be a good deal for South Australians. Mr Phipps will give an example of how it will work in practice.

**Mr Phipps:** The term 'credits' is a legal term which is used in contracts typically as a major emphasis on the penalty side. Credits is a polite way of describing penalties. Obviously, if the contractor does not meet the objectives of this contract on a short-term or intermittent basis, the penalties that are finally negotiated will be sufficient to encourage the contractor to perform well. But in the end the contract has the ultimate penalty where it will provide for separation in the event of non-performance. Given the people that we are involved with, we do not expect that to be an issue. On the incentive side, for example, the management of the capital program is an important issue in the project and will be managed by the contractor in accordance with a program approved by SA Water.

That program will be a contestable program where South Australian companies will have an opportunity to bid for the capital works. The contractor will be the program manager and the project manager for the individual projects. This has not been negotiated and various options will come to light in the negotiation process, but a typical incentive program used on a worldwide basis for the management of construction programs is one where the contractor bids a project management curve and the more the savings that the project manager is able to achieve against the benchmark estimate, the higher the fee they get. The more efficient they are in delivering outcomes and savings to the client on capital works—and that is a very important issue in the efficiency of the program—the higher the fee of the project manager.

On the other hand, if the project manager is less efficient in managing the capital program, the fee is lower, so that is an approach which may not necessarily finish up in this contract. It is an approach which gives incentive for good performance and penalty for poor performance, but in a way in which the client is always winning, and therefore the customers.

**Mr FOLEY:** Are you aware of any Government contract that has ever contained that financial incentive to perform better than the contract at value? Are you aware of an incentive payment scheme for previous Government contracts, or is this the first time that this model has been used?

**The Hon. J.W. Olsen:** It is the first time there has been an outsourcing program of Government comprehensive contracting out through a range of Government agencies. I am not aware of the specific details of that, but it is standard, national and international practice in contracts. What we are on about—

**Mr FOLEY:** Is it for Government?

**The Hon. J.W. Olsen:** It is your Federal colleagues who want us to run Government trading enterprises like a business.

**Mr FOLEY:** I am not asking about the feds on this one, I am asking—

**The Hon. J.W. Olsen:** You cannot duck and weave all over the place as it suits you from time to time. You have to

have it one way or the other. You are having great difficulty making up your mind which way to jump on this issue.

*Mr Foley interjecting:*

**The CHAIRMAN:** The Minister is answering and the honourable member is interjecting.

**The Hon. J.W. Olsen:** I am reminded that in technical contracts, and certainly in defence contracts, they are clearly part of the performance criteria. I dare say that the Submarine Corporation has them, but I was not party to the development of those contracts.

**Mr FOLEY:** Has the Auditor-General been advised of the intention to have the financial incentives scheme built into the contract? If so, what are his views on that aspect of the contract?

**The Hon. J.W. Olsen:** The Crown Solicitor and Auditor-General have been, yes.

**Mr FOLEY:** They are aware of it and are quite comfortable with it?

**The Hon. J.W. Olsen:** The CEO has already told the Committee that the Auditor-General has no misgivings about the processes that are in place for this contract.

**Mr Phipps:** The request for proposal—it is proposed that it be in the contract—sets out very clear performance criteria. The contractor will be paid for meeting those performance criteria. In other words, they will get a fee for the service they deliver. If they fail to deliver, they will incur penalties. That comes within the scope of the legal term 'credits'.

In managing the capital program as I described, excellent performance which achieves savings for the State of South Australia we expect will be reflected in the program management fee. If they are not successful in achieving the savings against the benchmark estimates for the capital programs which are developed from year to year, they will receive a lower fee. That is a very standard approach which is used in engineering contracts all over the world. There is nothing really unusual about that, and to the best of my recollection the Auditor-General is well aware of our approach and has not expressed any concern. I expect that he would encourage the approach, but that is for him to say. In the end, the precise mechanisms and the best mechanisms in the interests of our customers will finally emerge in the negotiation process and the signing of the contract.

**Mr FOLEY:** If, in the life of the contract—let us say years 7, 8 or 9 for argument's sake—the prime contractor has simply not delivered up to performance and many debts have been incurred and the Government of the day finally says, 'Enough is enough,' what mechanisms will there be for the Government not simply to withdraw from the contract, as technical as that may be, but how do we reconstruct or manage our water infrastructure if we essentially sack the prime contractor if circumstances ever required that to happen?

**The Hon. J.W. Olsen:** The contract will contain separation requirements, the same as in any commercial contract that is entered into, for non-performance in the delivery of the contract. There are separation procedures to be put in place. They are standard procedures—part of business contracts undertaken all over the world all the time. This would be no different from that. To my knowledge, not one of those companies has been in a position where that has taken place. Their performance has not been questioned. In recommending a list of companies for us to invite to submit proposals for tendering, part of the Boston Consulting Group's basis of recommendation was to look at their performance internationally.

If you just look at a hypothetical question—and it is a hypothetical question—the number of internationally recognised and respected companies building up water ability and capacity is growing. The unfortunate part is that, over the past decade, South Australia has not positioned itself for the major international water industry opportunities as have Germany, France, the United Kingdom and America. However, we will have established that with this contract for an Australian water industry to evolve. In seven or eight years an Australian company could easily pick up that in a further letting of a contract on or after separation with the initial contract.

Even if that did not work, we would still have the insurance policy of maintaining the structure, in effect, of the EWS through regional and country areas of South Australia, so we are not denied the capacity, ability, experience and skills to undertake that task as a Government agency in future, should that be the wish of a future Government. It would not matter which Party was in Government in future: it would not pursue that course, but in, say, a double hypothetical situation that option is available. In terms of the production of water and sewerage, the protection of consumers in South Australia is paramount in the processes we are putting in place and will be maintained during the contract.

**Mr FOLEY:** That was a hypothetical question, but not an irrelevant hypothetical question; it has concerned those who are drawing up the contract, because they have that escape clause. It is more than appropriate to canvass the option.

On country water, I am intrigued. I have heard you use the insurance policy of keeping the EWS structure as it is in the country. The companies tendering for the work tell me that it is eminently possible for them also to manage country water in the same way as they are managing suburban water. Why is it then that the Government has chosen not to include the country in the proposal? Could it be for a cynic such as I to say that the political ramifications of affecting country and rural South Australia in terms of the EWS presence in regional areas and country towns may have been a consideration in making that decision? Why have you not included the country in that proposal?

**The Hon. J.W. Olsen:** The professional advice that was given to us was that there would not be the economies of scale that could be established in country, regional and small country townships and that a prime contractor would not be so interested in that. Certainly, to my knowledge, none of the prime contractors has expressed any interest to me in moving into country areas, nor to anyone heading up the bid teams. So, if they are telling you that, you are the only person they are telling; they are not telling either me or officers of the department.

I am reminded that the Audit Commission recommended that we should separate the metropolitan from the country. This question gives me the opportunity to point out that, despite Audit Commission, COAG and Hilmer recommendations, we will be maintaining the cross-subsidy for country areas of South Australia which, in effect, is a regional economic development subsidy. Approximately \$27 million is the cost of the provision of water through country and regional South Australia. That cost subsidy through a statewide water price will be maintained, and it is a way by which the Government simply says that it wants to provide the same service throughout South Australia at a common price to ensure country areas are not disadvantaged in terms of economic development opportunities.

**Mr FOLEY:** I understand that in France, where Lyonnaise des Eaux operates, mechanisms are in place to ensure that there is communication between the prime contractor and the consumer, bearing in mind that the public face of water supply in this State will remain as the Water Corporation, and the trucks will be appropriately badged. Would you give consideration to a mechanism that would allow public forums or some form of public consultation process where the community could have access to the management of the prime contractor, as is the practice in France?

**The Hon. J.W. Olsen:** It is not the Government's intention to expand the opportunities any further than they are currently. If someone wants to go beyond a conforming tender, that is up to them. That will be given an assessment. In the first instance, we sought to maintain the customer interface between the customer and the Government, the owner of the asset on behalf of South Australians, and that was the Water Corporation. In that way, you have quite significant control and influence over the outcomes, a better barometer in terms of performance of the prime contractor in the delivery of the service, because you have that customer interface. I am reminded that in some places overseas it is a franchise-type operation which is different from what we are talking about. We are talking about someone operating and maintaining our asset.

**Mr FOLEY:** I reiterate that experience overseas had shown that the prime contractor gained benefit from a personal interface with the consumer and, equally, the consumers felt that their concerns, feelings and issues they had about the supply of water were also addressed by having a direct interface with the prime contractor. I put that on the agenda as something that could be considered.

I turn now to the financials of the EWS. Looking at the EWS financial summary from this year's budget papers, we notice that in 1993-94 a debt repayment figure of approximately \$58.5 million was repaid against the EWS outstanding debt. This year the EWS will be providing to State Treasury a figure of some \$60 million, which you have proudly stated, both in this Parliament and elsewhere, is an efficiency dividend through the better management of the EWS since you have been in Government, although I take the point that you acknowledge the efficiencies of the former Government.

When one looks at the financial papers, one notices that, for 1994-95 and beyond, there is no provision for any repayment of the capital debt of the EWS. It would appear from my perusal of the financials that the \$60 million you have claimed as an efficiency gain or profit that the EWS can pay to State Treasury to help fund the State's recurrent budget is in fact nothing more than a decision by the EWS not to repay off its capital debt but to make that capital debt provision over to State Treasury. Will the Minister clarify that?

**The Hon. J.W. Olsen:** In relation to debt reduction, in stark contrast to the performance of the previous Administration that added substantially to the debt of South Australia, I point out that in the course of the past 12 months, we have reduced debt by in excess of \$1 billion.

*Mr Foley interjecting:*

**The Hon. J.W. Olsen:** I will get to it. You had significant preamble to your question; I am sure you will allow me the same latitude in response. About \$1 billion has been taken off that debt. The Government clearly has a debt reduction strategy in place and it is complying with that debt reduction strategy despite the fact that interest rates last year, as a result of Federal Government policy, impacted adversely against the

budget. We put down a four year target outcome. We will deliver on that four year target outcome. In addition, despite the very substantial tens of millions of dollars of impost this year in additional interest that was not forecast, we have been able to meet the end of June figures.

In relation to the EWS \$60-odd million, it is a contribution to Government. Whether it is in the recurrent or debt reduction, the simple fact is it is coming from EWS to the Treasury of South Australia. Whether it is dividend or debt reduction is not important, I would argue. What is important is that that cash flow is going and a debt reduction strategy is in place that is performing against the target, and it is.

**Mr FOLEY:** You are confirming that the EWS made no repayment to its outstanding capital debt level but instead provided that money by way of dividend to the State Treasury?

**The Hon. J.W. Olsen:** The figures clearly indicate that.

**Mr FOLEY:** You are confirming that?

**The Hon. J.W. Olsen:** I do not have to confirm it. They are in the papers in front of you.

**Mr FOLEY:** So you are saying that, despite the rhetoric of the budget speech, and despite even your earlier rhetoric today about the enhanced profitability and efficiency of the EWS, nothing more has been done than simply transferring what would normally have been allocated to your outstanding debt to the State Treasury by way of dividend?

**The Hon. J.W. Olsen:** I just point out to the member for Hart that there was a figure anticipated of \$8.2 million which will be debt reduction as a result of the sale of assets, and I referred earlier to the Ottoway workshops that are undertaking an asset sale. Let me go back for a couple of years, because it is interesting to point this out to the Committee. In 1991-92, there was a \$10.9 million contribution; in 1992-93, zero; in 1993-94, \$27.3 million, which was debt reduction; in 1994-95, \$60.3 million dividend contribution; in 1995-96, \$61.7 million estimated. Clearly the last two figures make the contributions of the former Administration pale into insignificance and irrelevance compared to the performance—

**Mr FOLEY:** That is a misleading answer.

**The Hon. J.W. Olsen:** It is not.

*Mr Foley interjecting:*

**The CHAIRMAN:** The honourable member has access to the same papers to which all Committee members have access.

**Mr FOLEY:** The Minister may well have figures showing \$10.9 million in 1991-92, but 1993-94 was the concluding year of the former Government, and the budgeted debt repayment was \$27.3 million (estimated) and the actual was \$58.5 million. If we compare the figures for the former Administration, it was \$58.5 million actual in 1993-94. My point is that no provision is being made in the next financial year for debt repayment in the EWS. Essentially you are freezing the debt, because you are not making any repayment against it—you are simply giving that money to State Treasury. It really is significant sleight of hand.

**The Hon. J.W. Olsen:** In 1985-86 the drain on the Consolidated Account was \$63.5 million. In the following year it was a drain of \$54 million, and in the following year it was \$39.8 million. It was then a drain of \$35.4 million and then \$41.6 million, and in 1990-91 it was \$24.1 million. In 1991-92 it turned into a positive contribution as either dividend or debt repayment—a contribution and not a drain—which amounted to \$10.9 million; and in 1992-93 it was zero. In 1993-94 it was \$27.3 million. That is the net impact on the Government's Consolidated Account. I am talking about the

bottom line. When we consider the performance of the previous Administration of zero and \$27.3 million, it pales into insignificance compared to the dividend debt repayment delivered and forecast by this Administration.

**Mr FOLEY:** I must clarify that. The Minister used an estimate for 1993-94, and the actual figure as per the budget paper is \$58.5 million. That is the actual as against the estimate. The Minister is now talking about the Government's Consolidated Account, but we are about to turn the EWS into a corporation where it will be a separate trading enterprise, off balance sheet, off the books and no longer part of the Government's consolidated accounts. What is the Minister doing to repay debt held in the EWS? Clearly, based on these budget papers you are making no provision.

**The Hon. J.W. Olsen:** We have taken only a bit over a billion dollars off the bottom line in respect of debt, which is not a bad effort by the Government. As you seem to take everything I say to the Committee and apply a neutralising factor to it, I will ask one of my officers to explain the situation.

**Mr Prodanovski:** That figure was the repayment of \$27.3 million and an adjustment by Treasury and Finance, due to its cash accounting figures, to make the statement balance. That was a \$30 million loan that the EWS took out going back to 1991-92 and converted back into our long-term debt. That \$30 million relates to VSP loans that we took out many years ago. That is an accounting adjustment giving \$58 million when in fact the debt repayment was only \$27.3 million.

**Mr FOLEY:** Thank you for that clarification. I am talking about the EWS and not the global consolidated accounts of the Government. What provisions are you making to reduce EWS debt in the next financial year?

**The Hon. J.W. Olsen:** We are making a substantial dividend of an estimated \$61 million to the Government. That is a substantial contribution and a marked turnaround of almost \$100 million in the performance of the EWS a few years ago. The situation in respect of the \$58 million, which was an actual result of \$27 million, has just been clarified for the honourable member, and I hope he now accepts and understands that.

*Mr Foley interjecting:*

**The Hon. J.W. Olsen:** We can attempt to clarify the situation for the honourable member only three times, and after that I draw the line.

**Mr FOLEY:** Let me take it from another direction. What is the current debt level of the EWS? Given that it is a capital borrower for its capital works programs, what level of debt is it holding?

**The Hon. J.W. Olsen:** It is \$970 million.

**Mr FOLEY:** What provision next year will be made to reduce that debt level? What debt repayment plan is in place by the EWS to reduce that figure?

**The Hon. J.W. Olsen:** That will depend on the performance charter signed off between the Government on details that I will take to Cabinet for sign off for negotiation with the new board of the South Australian Water Corporation which will subsequently be put in place. I re-emphasise the estimated cash flow of \$61 million, which is an outstanding performance.

**Mr FOLEY:** What did you pay off the debt last year? Did you make any repayment in 1994-95 on the EWS's capital debt?

**The Hon. J.W. Olsen:** The member knows, and I will repeat it again. We sold some assets, and those assets are

being used for debt reduction. It is estimated that \$8.2 million from the sale of the Ottoway workshops will go towards debt reduction. When other Governments undertake an asset sale, they put the funds in the recurrent account and balance the recurrent side with an asset sale, but this Government has a policy—

*Mr Foley interjecting:*

**The Hon. J.W. Olsen:** Like the Federal Government does. This Government will not be party to accounting of that nature. We have a clear policy that, if an asset is sold, the proceeds are used for the reduction of debt.

**Mr FOLEY:** Clearly, the Minister has confirmed today that his Government through sleight of hand is trying to give the impression that the EWS has become a more profitable enterprise and is able to meet its own debt reduction requirements and a dividend to Treasury, when that is clearly not the case. You are simply taking all the profits from the EWS and not applying any recurrent profits towards debt reduction and simply giving it to Treasury. That trend is most concerning. Essentially, you are milking the cow and not allowing any money to repay the debt within EWS, and that is clearly an area of major concern.

**The Hon. J.W. Olsen:** The debt to equity basis of the EWS is on a sound basis and footing and, for the new corporate structure soon to be put in place, it is very sound. People have been invited to be part of the board and they would have looked at the financials of the EWS before committing themselves to be directors with responsibilities under a corporate body. They will have looked at the debt to equity ratio of the EWS and will be pleased to join the board knowing that the debt to equity ratio is quite sound.

**Mr FOLEY:** I hear what the Minister is saying. I do not know how he will ever reduce the \$970 million if he does not apply some of the profit to reducing the debt, which I would have thought would be most essential. What is the value of the assets held by the EWS, which is soon to be corporatised? Has a valuation figure been arrived at?

**The Hon. J.W. Olsen:** Yes, and in agreement with Treasury two sets of figures will be compiled for the EWS to meet the Commonwealth Government's requirements and sign off by the States as to asset valuation. That will see a significant upward movement in the valuation of the asset. I will get the figures in a moment. Under the COAG agreement signed off by the Commonwealth and the States an optimised primal approach will be required.

That will mean a valuation of the assets of approximately \$6 billion, and I point out that the \$970 million debt being carried on that is not a bad debt to equity ratio. I suggest that many businesses would be very pleased to have that sort of debt to equity ratio in their operations. The existing accounting practice has that valuation at about \$2.68 billion, so there is a significant increase to meet Hilmer's requirements, and we have to meet that. Agreement has been reached With Treasury for the purposes of meeting ETSA and the transfer from one figure to the other; and so that it does not just jump from \$2.68 billion to \$6 billion overnight with the same asset, there is dual accounting in relation to the asset valuation that will merge over time.

**Mr FOLEY:** My last question is on an issue that is extremely concerning, that is, the quality and condition of the Port River; the forgotten river. This Government seems to be concerned only about the condition of the Patowalunga and the Torrens, but in my electorate we have the most polluted river in the State. The Port Adelaide sewage treatment works, which has an outflow into the Port River, is of great concern

to me as the local member. It is also of great concern to a former colleague of the Minister—the Hon. Martin Cameron, who is now Chairperson of the Adelaide Promotions Board. It is an issue about which the Port Adelaide community is extremely anxious.

Will the Minister give me a commitment and a timetable for the cessation of the outflow into the Port River at Port Adelaide, which of course is no more than consistent with his 1989 election promise to stop these sorts of outflows?

**The Hon. J.W. Olsen:** This is a matter on which I advised the Committee in answer to a previous question: the member for Hart must have been out when I gave the details of the Port Adelaide waste water plant; I am happy to repeat them. The process upgrade, nutrient reduction and odour minimisation will cost between \$10 million and \$20 million; the outfall extension and approved dispersion method, \$2 million; and in relation to monitoring and environmental research, the measurement of improvement will have an annual operating cost of some \$300 000. These are commitments that the Government will enter into to meet EPA requirements by the year 2001.

**Mr FOLEY:** That means that by the year 2001 the outflow will still be occurring in the Port River but the Government will have reduced the nasties?

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

**Mr FOLEY:** But the Minister does not plan to stop using the Port River as the discharge point? There are prime development sites in that precise position, and the whole recreational and living area of the Port River is significant. As a community we had hoped that the Minister's Government would be committed to stopping the polluting of that river and any form of outflow into it.

**The Hon. J.W. Olsen:** We will be looking at a couple of alternatives related to Port Adelaide. We looked at piping to other locations. The cost of that is an additional \$23 million. What we propose will meet Environmental Protection Authority requirements of the year 2001. So, the people of Port Adelaide can be comforted by the fact that at least we are going to put in place that capital works program. As I also noted earlier to the Committee, that environmental improvement program will be project managed by the outsourcing contractor, which will be required to take into account a tender call for the provision at each one of these locations; but it will be the manager of the program. It is a very expensive program over our four waste water treatment plants, but the Government has given an undertaking that it will pursue that to meet EPA requirements.

**Mr FOLEY:** I note what the Minister says, but it is a very sad day for Port Adelaide to think that we will not be rid of this terrible outflow into the Port River. It is disappointing that an area of such great potential for the community and for development still has to tolerate this outflow into the river.

**The Hon. J.W. Olsen:** That is the first time I have ever heard a local member of Parliament, when there has been a commitment to spend \$22 million in his electorate, have the audacity to say that this is a sad day. The simple fact is that what we will be doing is putting in place a mechanism that will be of the highest quality; that the problems that have been identified in the past in Port Adelaide will not occur in the future. Rather than expressing it as a sad day, I would have thought the fact that we are going to commit \$22 million and continuing operational costs of \$300 000 would have brought some sort of commendation from the local member.

**Mr FOLEY:** I cannot let that go without comment. I welcome any attempt at improvement. The point I am making

is that it is a sad day that with all that expenditure we still have to tolerate outflows into such an important and ecologically sensitive area. I am simply expressing some concern.

**The Hon. J.W. Olsen:** The member for Hart does not understand the EPA requirements. The simple fact is that at the end of the day there will be zero environmental impact as a result of these measures that we are putting in place. We are ahead of the other States of Australia; we will stay ahead of the other States of Australia. Gratitude comes slowly in some instances.

**Ms WHITE:** This year the Minister announced \$1.9 million towards the \$20 million upgrading and replacement of assets at Bolivar plant. This is a little at odds with what the Committee was told last year. I think last year the Committee was told of plans to spend \$360 000 during 1994-95 as part of a \$1.6 million program on chemical dosing at the front end of the Bolivar treatment plant, to slow the biological filtering arms and to contribute to the solution of the odour problem at Bolivar. At that time Mr Peter Cooper of the department explained that if these measures were unsuccessful there were only two other solutions: one was to cover the biological filters at a cost of \$30 million, and the second was to abandon that secondary treatment portion of the plant and go to the construction of a new activated sludge plant similar to those at the other three waste water treatment plants.

Going by the number of constant and recent complaints I have had to my electorate office, and as someone who lives in the area, I can confirm that the odour problem is still there. What exactly will the \$20 million that was in the capital works budget be used for, and over how many years will it apply? The Minister also referred to \$30 to \$40 million: what exactly was that for?

**The Hon. J.W. Olsen:** Before inviting Mr Peter Cooper to respond with some technical detail, I make the point that there was no commitment that the odour problem would be solved overnight. If I remember correctly the Estimates Committee last year, we said that we would continue to tackle the odour problem, but it would not be fixed in one year. It was a matter of needing to tackle it over a period of time because of the costs involved in the odour program. This is also part of negotiations in relation to the Virginia pipeline. There are other factors related to those negotiations that are also the subject of ongoing discussions in terms of getting the right outcome. I am sure the outcome that the honourable member wants will be found; the question is the timing in which to deliver.

**Mr Cooper:** Initially you asked what we were going to spend the \$20 million on. I am not too sure exactly what line that is against *in toto*. We are not planning to cover the filters at Bolivar in the current or the next financial year; that is not in the plan. Our plan was to adjust the biological filters, which we have done—we had to replace the arms anyway—and to observe whether the odour had been reduced. We are in the process of doing that, but I note your comments. We have a network of people reporting to us regularly. If this does not work, we have two choices. One is to cover the biological filters at a cost of about \$20 million to \$30 million. That is not in next year's budget. The alternative would be to put in an activated sludge plant, which is valued at probably between \$30 million and \$40 million.

We are in delicate negotiations with the people involved in utilising the effluent from Bolivar for the Virginia vegetable triangle. One option is to go to an activated sludge plant, produce high quality water for the growers and at the

same time gain the advantage of removing the main odour source from Bolivar. That is being discussed in the department and a decision has to be made and put to the Minister and all the other parties involved. That is the way we are going at the moment. We are looking at the possibility of going over to an activated sludge plant and producing high quality effluent with some sand filtering of the effluent, which would give it free use on any salad vegetable and give us the benefit of odour control.

If we do not go that way but continue to treat the effluent with the existing plant, we may eventually have to go for covering those biological filters. We are also investigating—and there is money aside this year for this—covering part of the front part of the works, which we call the screens and pre-aeration area. We are costing that in detail now. That may be a better long-term alternative than injecting oxygen continuously, which we are doing to look after the front part of the works.

**Ms WHITE:** As a supplementary question, I see two different issues there. On the one hand, there is \$20 million, which is about upgrading existing works (you talk about the biological filters and the pre-aeration tanks), and there is \$30 million or \$40 million for tertiary treating the effluent, which I understand may involve taking out the biological filters and even part of the primary treatment. Is there not a conflict there? Do you not have to decide very quickly which way you are going? Otherwise, in essence, you would be putting money into something that you are going to rip out in the longer term.

**Mr Cooper:** We are not spending money at the moment on covering the biological filters; we are leaving that option in favour of trying to solve the problem as it is or waiting to see whether we should construct an activated sludge plant. There is no \$20 million being spent on Bolivar odour at the moment. I think there is about \$1 million for finishing off Bolivar odours in the next financial year, 1995-96. A lot of money is being spent at Bolivar on other big mechanical and electrical equipment and other things. We are not forging ahead and spending money that will be wasted if we go to the activated sludge plant. We have done some necessary work on the filters, because they were falling to pieces and they will have to keep going.

If we went to an activated sludge plant, we would probably have to wait three, four or five years. It is a huge design and construction project and those filters would have to be operating all that time. It is not money wasted. We are not covering them; we are keeping our options open to see whether we go to the activated sludge plant. If we go to the activated sludge plant, there is an added benefit, because that process can more easily remove nitrogen and phosphorus from the effluent. That gives us a benefit from the environmental discharge point of view.

**Ms WHITE:** My second question was about the removal of nutrients. Obviously, nutrients are bad for the environment but, from the other point of view, potentially for growers they can be good. I have received representations from a number of growers that the selling of the pipeline to them has included a saving of about 4¢ per kilolitre in terms of the reduced costs of fertilisers because of the enhanced nutrient content in the water. Of course, we do not know whether adding nutrients to water for other potential users, such as Penrice, which is a big user of water, is a hindrance. Where does the Government plan to be in terms of a percentage reduction in nutrients in the coming years; can you give me

some time frame? I know that the enforcement of the EPA's guidelines comes into this.

**The Hon. J.W. Olsen:** That will depend on the final negotiations with the growers on the business plan. If that can be signed off in the not too distant future, it is only two to three years away if the matter proceeds. However, there are outstanding matters to be negotiated with the growers in looking at their business plan.

**Ms WHITE:** My final question relates to mains water connections. In a media statement outlining the EWS 1994-95 capital works program, the Minister announced expenditure of \$1 million for stage 1 of an upgrade to water supply in the Angle Vale-Virginia-Two Wells area. That was largely to complete construction and upgrading of the mains connection in that area. The Government is putting a considerable amount of money into the BOO operation in the Hills area to improve water quality for those residents drawing water from the River Murray. However, as the Minister is aware from representations by me and by the members for Napier and Bonython, there are residents in the Adelaide area who are in a much worse position because they do not have mains water at all. I refer particularly to residents of Virginia in an area of approximately one square kilometre who do not have access to mains water.

Will the Minister update that program of mains connection and upgrading in the Virginia-Two Wells-Angle Vale area and give an indication of the cost to provide that small group of residents at Virginia with mains connection given that some of them are within a few hundred metres of existing mains supply? What percentage of the budget for such works would that cost represent?

**The Hon. J.W. Olsen:** First, I point out that we inherited the problems in the system that the honourable member refers to, and we are trying to work our way through them as quickly as we can to get efficiency and productivity savings in so that we can do more work. I assume that the area referred to by the honourable member is a non-residential area, where a clear policy has been in place for some considerable time, and that is different from that to which the honourable member has referred regarding some of the Hills areas. Secondly, the infrastructure in place at the moment has capacity limitations. You simply cannot go on adding on to the end of the line if, by adding on at the end of the line, people along the line have a water supply that drops off. You simply compound the problem, which means that you have to go back and look at the total infrastructure requirements. When you do that, there is considerable cost, and that is different from filtering water and the provision of a whole new infrastructure to provide water and extend water.

I assure the honourable member that, whilst she is making representations on behalf of her electors, there are areas on Yorke Peninsula which have the capacity for tourism and economic development but the lack of water availability means that they simply cannot take place. The infrastructure that is there simply will not enable us to expand the water supply in a number of those areas. In any event, in many instances it is simply not viable to expand, simply because the cost of the extra infrastructure to meet the requirement is a cost that the end user would not be prepared to pay for the provision of water. So, it becomes non-viable or non-economic. There is a whole range of reasons why the implementation or outcome that the honourable member wants in some instances simply cannot be delivered. I assure the honourable member that many members of Parliament have the same problem.

**Ms WHITE:** Will the Minister provide the cost of providing that infrastructure to those residents?

**The Hon. J.W. Olsen:** I will have to take that on notice. It is something I do not have available. I will see whether we can get some quantification for the honourable member.

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

Mr Clive Armour, General Manager, ETSA.

Mr Terry Parker, General Manager, Corporate Services.

Mr Terry Kallis, Group Manager, Planning and Finance.

Mr Basil Scarcella, General Manager, Distribution.

Dr Eric Lindner, Group Manager, National Electricity Project.

**The Hon. J.W. Olsen:** There have been significant productivity and efficiency gains in the Electricity Trust. Last year was its best year on record. This year the performance of the Electricity Trust is expected to out-perform last year and be the best year on record. Given the Committee's time constraints, I will not detail those productivity and performance improvements: suffice to say that, like the EWS, the Electricity Trust has undertaken substantial restructuring in recent times. Productivity and efficiency gains have been passed on to the consumers of power and electricity in South Australia. In addition, ETSA has made a significant contribution to the Treasury this financial year.

I pay tribute to the performance of the outcome officers at the table today and to the board and work force of the Electricity Trust who have embraced substantial restructuring and change and have brought about substantial benefits to the South Australian community.

**Mr EVANS:** What is ETSA doing to assist business to implement energy efficient technologies and practices?

**The Hon. J.W. Olsen:** ETSA commenced what it calls its Business Energy Efficiency Productivity (BEEP) program in May 1994, when it was launched at Actil. The program supports South Australian competitiveness by financially assisting the implementation of energy-efficient technologies and processes. In doing so, it encourages business best practice and continues improvement initiatives and hence stable economic growth for South Australia. That program encourages improvement through the implementation of current technologies which encompass energy efficiency and improved production potential, export potential and competitiveness, environmental improvements through efficiency, attention to occupational health and safety initiatives and, ultimately, employment-sustained economic growth.

Of course, benefits flow to ETSA in that load shifting occurs, hence deferred generating capacity and asset replacement is required, energy conservation which supports South Australian environmental commitments, and business and hence revenue growth from a sustainable economic foundation.

Business bids totalling 39 were received, and projects valued at \$6.717 million have been offered financial assistance from BEEP. Of the projects offered awards, 25 have progressed to the first stage of payment, and eight are pending at this stage. The initial payment of 40 per cent of award has been offered and all payments will be concluded by 30 June this year. The remaining 60 per cent will be paid once installation, commissioning and monitoring of the new practices and equipment have taken place.

From that information, case studies and other marketing tools will be developed so that businesses and processes will benefit. The second round is already in place for 1995-96. To

date, 30 submissions have been received, with assistance of \$1.3 million sought. Again, the ETSA component is to be approximately \$1 million in the year.

**Mr EVANS:** Will there be any variation to ETSA's tariffs, fees and charges for the forthcoming financial year?

**The Hon. J.W. Olsen:** The average increase in overall tariffs for ETSA in the forthcoming financial year will be 0.3 per cent, and an average domestic tariff increase of less than CPI, partially achieved by an increase in the domestic supply charge. There will be a reduction of 7.5 per cent in domestic off-peak and a reduction of 5 per cent in business off-peak tariffs. There will be a rationalisation of industrial, general purpose and farm tariffs, with no price change on average. There will be no change in demand tariffs applicable to major customers and other miscellaneous tariffs.

For the second consecutive year we are making South Australia more competitive in a business sense, with a 5 per cent further reduction in off-peak tariffs for business. Residential consumers can take advantage of the new rates, with a 7.5 per cent off-peak reduction in tariffs. The fact that the overall increase to ETSA will be 0.3 per cent means that there has therefore been a real reduction in the overall average costs for South Australians. ETSA's performance has enabled us to position that, as well as making a substantial contribution to the Treasury this financial year,

**Mr FOLEY:** As I have said, I will attempt to cover the broad questions that we want answered in the next 25 minutes. I am conscious of the Chief Executive's requirement to fly back to Sydney. As I indicated earlier in respect of the EWS, this year's estimates for ETSA are conducted without the Opposition having any current information on the activities and performance of the trust. Of course, no information in the Program Estimates is provided because of the change in the budget cycle, and for a similar reason the Auditor-General's Report also is not available. Obviously, the trust has not yet produced its annual report. That lack of information for Parliament places a large caveat over this part of the Estimates in respect of ETSA. Will the Minister please give a commitment that next year we will address the issue of an interim Auditor-General's Report, an annual report, and some provision of accounts?

**The Hon. J.W. Olsen:** Some of those measures are not within my responsibility. I do not disagree with the principle embodied in the question. It is a matter of addressing it. Of course, in the first year of moving to the new cycle to be consistent with, in effect, what the Commonwealth Government has achieved, it is interesting to note that the change of the cycle at Commonwealth level certainly put pressure in its system in the first year of the changeover, as indeed it has in South Australia. It is a valid point, but it is not for me to take account of it other than to say that I will pursue with the responsible Ministers an outcome to meet the point that was made.

**Mr FOLEY:** This year's provision by ETSA to the State Treasury of \$210 million is a significant increase on dividends paid last year. I will not be too political but I will quickly remind you of Dean Brown's comment when Opposition Leader that ETSA would not become a branch of the State Tax Office. That aside, how much of that \$210 million is due to the introduction of the tax equivalent regime, as required by the Commonwealth's competition policy? How much of that \$210 million equals the tax equivalent regime?

**The Hon. J.W. Olsen:** That is not a current consideration, but it will have to be included in the performance charter that

will be agreed between Treasury, myself, the board of ETSA, and the new board of the ETSA Corporation to take effect from 1 July. Tax equivalent will be a feature of successive budgets; it is not a feature of the 1994-95 budget.

**Mr FOLEY:** I am attempting to break down that \$210 million. The Minister's argument is that, under Hilmer competition policy, he is required to provide a dividend to Government. I am trying to find out the true worth of that dividend and whether the \$210 million or subsequent figures in future years will exceed the dividend and have an impact on the financial performance of the trust.

**The Hon. J.W. Olsen:** Next financial year it will not be \$210 million plus tax equivalent; the dividend plus contribution made by ETSA to the Government will be broken down into tax equivalent and an appropriate dividend return on asset. A number of guidelines have been established by Hilmer in relation to percentage return on assets. Therein lies a significant challenge for South Australia, given our low population density, the dispersed nature of our distribution system, and therefore disadvantaged costs as it relates to low grade brown coal and the Australian National monopoly line that does not assist us in the costs of operation. However, as I have said, the question of tax equivalent will be incorporated in the next set of accounts.

**Mr FOLEY:** What is the current level of debt in the Electricity Trust and what amount was paid off that debt in this financial year?

**The Hon. J.W. Olsen:** The current debt is \$964.7 million. There was not a reduction in the level of the debt this financial year.

**Mr FOLEY:** The figure of \$964 million is coincidental with the level of EWS debt of \$970 million. What has been the level of debt repayment in previous years? Has it normally been the case that ETSA does not make any repayment to its capital debt?

**The Hon. J.W. Olsen:** I will obtain those figures accurately for the honourable member over the past two or three years and incorporate them in *Hansard*.

**Mr FOLEY:** Has the board of ETSA considered the proposal that EDS take over the information technology requirements, and does that have full board agreement?

**The Hon. J.W. Olsen:** The board has given consideration to the whole of Government outsourcing information technology and data processing, and it has been and is cooperating with the Government in that policy objective.

**Mr FOLEY:** Has that been a decision arrived at by the board or has that been subject to ministerial direction?

**The Hon. J.W. Olsen:** I have not given a direction to the board. The board has written to me some time ago indicating that it is comfortable with it and is supporting that view.

**Mr FOLEY:** We discovered last week in Estimates Committee questioning that a number of statutory authorities have received ministerial direction.

**The Hon. J.W. Olsen:** I am sure that letters are not floating around from ETSA or EWS similar to that to which you referred in last week's Estimates Committee.

**Mr FOLEY:** Does ETSA have a program for outsourcing operational functions at present? If so, would the Minister outline to the Committee what the outsourcing program may be?

**The Hon. J.W. Olsen:** I will ask Mr Parker to respond to that.

**Mr Parker:** ETSA has been responding to an inquiry of the Economic and Finance Committee in relation to this matter and has provided a detailed response to it. I think it is

with Premier and Cabinet at the moment. Basically, the position we have taken on all outsourcing proposals is that we carry out some sort of business case analysis to see what the impact of the proposal would be; some proposals have proceeded, others have not. For instance, we have outsourced the installation of underground residential distribution mains in new land developments. There are two contractors working on that work now. Meter reading has been outsourced to some extent, although not completely. Some customer service calls are also done by a private sector contractor. In each case, the economic evaluation was in favour of that step being undertaken.

**Mr FOLEY:** That certainly addresses the issue of small scale outsourcing and functions for outsourcing. Does the Government have plans for any large scale outsourcing in respect of what we are seeing presently with EWS?

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

**Mr FOLEY:** What are the final recommendations of the Government's Electricity Sector Working Party established to report on the objectives of South Australia's involvement in the national grid?

**The Hon. J.W. Olsen:** We have agreed to participate in the national grid provided the National Grid Management Committee is prepared to take into account five areas of concern that South Australia has. We are pursuing that. The advice to us has been that we should join the system and they would solve the problems after the event, whereas we have indicated that that is not the process we prefer. We want the problems addressed prior to participating.

In addition, and it is a recommendation of the Electricity Sector Working Party, we have put in place the Electricity Sector Reform Unit, comprising officers of the Electricity Trust, Mines and Energy, and Treasury, who are working at the direction of Graham Longbottom (formerly of Mitsubishi and the HEC in Tasmania), attempting to address for us a whole range of questions of the National Electricity Management Company, the National Electricity Code Administrator, and the National Grid Management Council, and looking at the structures we require in South Australia to meet the challenges of this national electricity market. We are facing enormous challenges. There have been some delays in implementing some of those policies. The ESRU is addressing and will be giving advice to Cabinet on some of the processes, structures and our representation on that committee.

The ESRU terms of reference are as follows: identifying and resolving issues relating to both design and participation in the national electricity market, which are of particular

significance to South Australia; recommending the most appropriate electricity supply industry structure for South Australia; ensuring South Australian entitlements on the interconnector operating agreement are maintained—and that is a key; recommending future customer franchise limits and the associated provisions for initial vesting contracts; ensuring that necessary and appropriate legislative and regulatory requirements for South Australia's electricity supply industry are actioned; recommending arrangements needed to ensure reliable electricity supplies in South Australia; and coordinating South Australia's representation on relevant State and national bodies relating to the South Australian electricity sector. They are amongst the range of matters being considered by that reform unit that has been in place for a little over a month at this stage.

**Mr FOLEY:** We are aware that a number of approaches have been made to substantial users of electricity in South Australia from the newly-created entity in Victoria. I do not expect the Minister in this forum to give me examples, but can he indicate whether South Australia has lost any major electricity users as a result of the competition policy? Have we been able to meet the challenge successfully to date?

**The Hon. J.W. Olsen:** So far we have lost no major customers, but that is not to say that in the future, given the level of competition and the desired outcome of these structural changes, that that might not occur, but we have not done so to date. While the trust as a unit can keep on the productivity and efficiency gaining curve that it is on, while we continue to reduce the cost of electricity to South Australian consumers, we will build up a greater insurance policy against that happening.

**Mr FOLEY:** As to tariffs, how does the cost of generating and distributing power on a kilowatt hour basis in South Australia compare with Victoria and New South Wales? Can the Minister provide that information?

**The Hon. J.W. Olsen:** Do you want the figures for New South Wales and Victoria?

**Mr FOLEY:** Yes. I assume that they are our major competitors, but I would like any other figures that may be appropriate. I seek benchmark figures about where we are sitting currently.

**The Hon. J.W. Olsen:** Do you want consumer published tariffs or the cost of generation?

**Mr FOLEY:** I would like both if possible, because I want to compare the situation.

**The Hon. J.W. Olsen:** I insert in *Hansard* a purely statistical chart detailing tariffs in market segments comparing South Australia with SECV (Victoria), Sydney Electricity (New South Wales) and SEQEB (Queensland).

Interstate Comparison of Electricity Prices  
Current & Projected Prices  
(¢/kWh)

Market Segment Typical Customer	ETSA 94/95	VIC (SECV) 94/95	NSW (Sydney Electricity) 94/95	QLD (SEQEB) 94/95
Domestic—No Off-peak (Code '110') (1000 kWh/quarter)	13.0	15.25	11.2	11.75
Domestic 'All Electric' ('110'/'116') (1000 kWh/quarter on-peak, 1000 kWh off-peak)	9.1	9.5	7.45	8.0
Very small industrial/ commercial ('120' or '130') (1000 kWh/quarter, no off-peak) Small office/shop	15.1	23.15	15.0	14.5



Interstate Comparison of Electricity Prices  
Current & Projected Prices  
(¢/kWh)

Market Segment Typical Customer	ETSA 94/95	VIC (SECV) 94/95	NSW (Sydney Electricity) 94/95	QLD (SEQEB) 94/95
Small Industrial/ Commercial ('120' or '130') (7500 kWh/quarter, no off-peak) Deli/local take-away/local hotel	13.9	19.35	12.4	14.25
Medium Industrial/ Commercial ('130'/'131') (35000 kWh/month, 40% off-peak) Seven day supermarket, large hotel	10.1	12.9	10.7	10.95
Medium to large industrial ('160') (1000 kWh, 450 000 kWh/month)	6.7	5.65	7.05	7.6
Large Industrial ('200') (10 000 kW, 4 500 000 kWh/month HVD)	6.3	5.65	6.6	7.3

**The Hon. J.W. Olsen:** As to the internal generating cost, we do not have the Victorian figures and Victoria does not have our figures.

**Mr FOLEY:** On reflection, that was probably not the smartest question to ask, and I am happy to have a private briefing on those figures at a later date.

**The Hon. J.W. Olsen:** The chart that I have tabled gives a comparison across the board in a range of small, medium and large segments.

**Mr FOLEY:** There is no trickery in the question; I merely want to see the position. What will be the total revenue for ETSA for 1994-95, and what percentage of revenue will be generated by commercial tariffs and what percentage by domestic tariffs? How does this financial year compare with last financial year?

**The Hon. J.W. Olsen:** The total operating revenues from the sale of electricity in 1994-95—and obviously we have not included the past month or so in this year's figures—are estimated at \$877.9 million; revenues from other areas are \$31.6 million. The total operating revenues amount to \$909.5 million. About 40 per cent comes from domestic tariffs.

**Mr FOLEY:** Is that consistent with previous years?

**The Hon. J.W. Olsen:** It is about on track with previous years.

**Mr FOLEY:** As to the ETSA work force, I am not seeking to draw comment on the recent industrial disputation, which has been resolved, but what is the final expected number of ETSA workers once we go through the latest tranche of redundancies? What is the final expected levelling out figure?

**The Hon. J.W. Olsen:** Approximately 2 800.

**Mr FOLEY:** Do you believe that will be a stable figure for the short to medium term?

**The Hon. J.W. Olsen:** Currently there are 3 280, and about 480 or 500 have been referred to, taking it down to 2 800. Change constantly evolves, and that is where I think it will stay but I cannot give a commitment that that is where it will stay. The pressures being applied for productivity and efficiency gains will be absolutely constant. In ETSA in the past couple of years operating costs have been reduced for four years in a row. For the fourth year in a row we have reduced operating expenditure, and we are on track to do that this year. If we can continue to contain or reduce costs, it will be a big step towards achieving the productivity and efficiency gains that we have to put in place. We will be looking at

capital injection in the future to assist with the efficient outcomes of our generating plants.

**Mr FOLEY:** Through internal revenue and funding sources?

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

**Mr FOLEY:** I understand that further efficiencies may or may not be needed in future. It is a question of whether or not the 2 800 was the end of the immediate redundancies.

**The Hon. J.W. Olsen:** On present indications that is where we see that but, as I have said, change will never stop, whether we like it or not.

**Ms WHITE:** In the seven months that I have been the member for Taylor there have been alarmingly frequent reports of blackouts and brownouts, particularly in the Paralowie and Settlers Farm areas. Will the Minister provide some statistics on blackouts and brownouts either to confirm or deny that my constituents have an unfair share of blackouts and brownouts, and is there some peculiar problem or weakness in equipment servicing that area that would cause that incidence?

**The Hon. J.W. Olsen:** There has been a constant improvement in the performance of the Electricity Trust in reliability of supply and down time in that supply, and last year there was a further improvement in the performance of the Electricity Trust in minimising outages. That does not mean to say that there cannot be further improvements, but there have been some substantial gains in recent years in that area.

**Ms WHITE:** If that is the case, it will probably make my constituents feel much worse, in that there have been relatively frequent blackouts and brownouts. Will the Minister look into that situation?

**The Hon. J.W. Olsen:** I can certainly have a look at it as it relates to Settlers Farm. I will take that on notice and we can look at that, and I will reply directly in relation to the reliability of the supply to that area. The average number of minutes per year that a customer is without electricity has been reduced from 160 to 110. That is the improvement level in recent times.

**Mr FOLEY:** One issue that concerns me and I know has been a perennial problem for ETSA is the issue we saw highlighted in Elizabeth with the power surges. I accept that ETSA does not claim liability and whilst, if a car smashes into a stobie pole or an unrelated ETSA mishap causes a power surge, it is probably fair to say that liability should not lie with ETSA, when it can be proven that faulty equipment

within ETSA causes the power surge I am of the view that full liability should be considered by ETSA. Is that something to which the Minister has given consideration? I appreciate that past practice has been that there is no liability, but I think that is an area that should be looked at again with a view to reforming it.

**The Hon. J.W. Olsen:** I was asked a question in Parliament by the member for Elizabeth and indicated that I would take up the matter with the Electricity Trust to see whether there were extenuating circumstances in that case. ETSA maintains its policy and response in relation to liability but, in regard to the Elizabeth incident on 19 May, has decided to recompense those affected by an *ex gratia* payment, following a detailed assessment of the circumstances. It is a one-off circumstance. An assessor has been engaged to discuss with those directly affected the level of recompense that ought to be extended in the circumstances.

I once again draw the attention of the Committee to what I consider to be ETSA's outstanding performance. Much has been done; much more needs to be done, but one ought to acknowledge the very substantial performance, productivity, efficiency and restructuring that has been undertaken within ETSA, and I thank the officers at the table for their support to enable that to happen.

**Mr FOLEY:** The Opposition also acknowledges the work of the corporation in terms of having to deal with competitive pressures, and we look forward to a productive and cooperative approach where possible with ETSA and the Government on electricity policy.

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

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

Mr R. Kennan, Chief Executive Officer, MFP Deputy Chairman.

Mr K. O'Dea, General Manager, Commercial Administration.

Mr D. Ryan, Corporation Secretary.

Mr K. Aufderheide, Financial Controller.

Mr J. Beaver, General Manager, Policy and Liaison.

**The Hon. J.W. Olsen:** The Government's support of MFP Australia has clearly been evidenced by the increase in capital funding from \$31.4 million to \$36.4 million, signifying confidence in the progress now being made with this nationally significant project. The funding increase reflects the quickening pace of activity which has followed the refocusing of Stage 1, urban development, following the election at the end of 1993 and the start which has been made on substantial MFP projects from planning preparation to implementation. We are now seeing the outcomes of planning over what has been a considerable period, but there are clearly some outcomes now on the agenda.

MFP Australia is starting to deliver on its promise of building in South Australia a city which is a model for sustainable, urban, economic, environmental development into the next century, clearly establishing South Australia as a demonstration location internationally for a number of projects which will have international application. That was one of the purposes of MFP, namely, to demonstrate the technology, research, development, capacity and initiative of Australian innovation, so that the rest of the world could see what we had to offer. With the range of projects that are currently being considered, are on the drawing board or are

coming to fruition, that is, the implementation phase, clearly the international demonstration site is being established through MFP.

For Stage 1, urban development, in the current year the Government has moved to acquire the land at The Levels adjacent to the former Technology Park, and that has proceeded in recent weeks. At Technology Park the IT and T Centre for Excellence has been established. The Levels land plus the Centre for Excellence land comprise Stage 1 of MFP Australia's urban development. Acquisition of the land has enabled an early start to the urban development. Delfin/Lend Lease is proceeding with the preparations of the first phase of those plans.

The corporation has a new Chairman in Sir Llew Edwards, and we hope to have the opportunity to review the plans as presented by Delfin/Lend Lease towards the latter part of this year. Work proposed in the coming year will ensure that telecommunications infrastructure within the design places Australia's MFP at the forefront of communications technology, which is another reason to quote the demonstration site.

With regard to environmental clean-up, the creation is what is believed to be the world's largest urban wetland system. It was foreshadowed last year and is now well under way at the Barker Inlet. It is an outstanding project, once again having application throughout the Asian region, for example. The export opportunity and potential of what we have been able to achieve here will have application and the capacity to earn export dollars and project management from Australia.

The wetlands planned for the Gillman area will bring the total wetlands created to some 350 hectares. The award winning wetlands of the most advanced design in the world are restoring a degraded wasteland area into a haven for bird life and recreation. Certainly, that has been brought home by people who now travel the Salisbury Connector Highway. Now that has been opened up the people who travel through the area are absolutely amazed at the amount of work that has been undertaken. One of the problems with the MFP in the past was the marketing of the progress to date, and that has taken a quantum step forward in recent times.

The wetlands to which I have referred eventually will collect around 40 per cent of Adelaide's total metropolitan stormwater run-off, filtering out rubbish and pollutants which have caused untold damage to the marine ecosystem in the Barker Inlet. That process has already begun. The 172 hectare Barker Inlet wetlands, which can be seen from the connector to which I referred a moment ago are due for completion in 1996, when some 100 000 plants and shrubs will have been planted. Work has also begun on reclaiming future use land at Gillman which for many years has been carelessly used as a dumping ground.

In relation to the Australian-Asia business consortium, the private sector development program also foreshadowed last year has made a promising start with the education design team, comprising more than 20 of the largest Asia Pacific corporations meeting in Adelaide in December and Taipei in March. This year will be a critical one for the AABC, in which the corporations now actively working with MFP Australia to design the content of the program and commit themselves to it, with the first intake at the start of 1996.

The Virginia pipelines scheme is undergoing extensive evaluation, and reference has been made to the 50 million megalitres of water discharged currently into Gulf St Vincent. That can be recycled and sent up to the Northern Adelaide

Plains for export market opportunities in horticulture, viticulture and floriculture. We are negotiating, as I mentioned earlier in the Estimates Committee today, with the growers in relation to the development of a business plan to dovetail into the Engineering and Water Supply Department's commitment to meet EPA requirements for the Bolivar sewerage treatment plant in the next few years.

I would hope that within a few months we will be able to move forward with the Virginia pipeline scheme, but that will depend upon the growers and the business plan that is eventually developed with the growers. There will be substantial capital commitment on top of what the Federal Government through BBC has offered in the \$10 million towards the scheme as a requirement of EWS to upgrade the sewerage treatment plant, but there also will have to be a commitment from the growers in relation to that scheme.

The New Haven village which has been opened also is another example of the innovative design features that we are able to implement in South Australia. That is another international demonstration site in South Australia that can shopfront the innovative, creative design and capacity of Australia. To summarise, considerable progress has been made. The key projects are on track and tangible benefits will be seen in the not too distant future in relation to those MFP projects.

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

**Mr FOLEY:** On behalf of the Opposition, I should like to make a brief statement. The Opposition's support of the MFP is well documented and also its views that the MFP board is brought to this Parliament on too many occasions. Please do not take this the wrong way, but too often in this sort of forum we meet Mr Kennan and the members of the MFP management team. In large part that has been addressed by the Government through the Minister in terms of reducing the reporting requirements of the MFP to this State legislature. It is clear that the Opposition is supportive and welcomes the direction of the MFP. Whilst there have been some political cosmetics to the refocusing of the MFP, it is still welcomed and supported by the Opposition. The Opposition clearly wants to see the MFP develop to its full potential. That does not mean that at times we will not have some concern about specific issues relating to the MFP, but in the main we are supportive of it.

I have had the good fortune to meet the International Advisory Board on two occasions at least. I have also been to Japan with the former Premier where I met the Japanese end of the MFP. In addition, I have witnessed many of the good things that are done behind the scenes. From my point of view, the MFP has a supporter. My colleague the member for Taylor and I share the MFP within our electorates. I hope that the Gillman site will reposition itself as a priority sooner perhaps than the Government intends. I am sure that will happen. The New Haven development is right in the middle of my electorate, and I welcome it.

Was consideration given to the location of Westpac at the MFP Technology Park area? Given the functions of the Westpac deal, the back office function and the synergies in terms of information technology, I think it would have been a good critical mass and a good fit to have had it at that location. I take it that Westpac has found a site that already had a pre-existing structure, but was consideration given to that location at Technology Park?

**The Hon. J.W. Olsen:** Yes, some consideration was given to that, but one of Westpac's fundamental requirements was

to have 26 000 square metres of office accommodation operating on 1 November this year. I know that with Motorola and Galaxy we have performed exceptionally well at building buildings, but it is not quite that quick to go from June to 1 November with 26 000 square metres of operating office accommodation. It is critical from Westpac's point of view that it meet that operating and transfer date, so the Lockleys site is a logical location for it.

I want to repeat the comments I made earlier today in relation to the opportunities at MFP concerning the accommodation requirements foreshadowed to me. I do not know whether the honourable member was here when we talked about that earlier today. The simple fact is that I have asked MFP, EDA and Colliers, who currently are looking after the Technology Park site, to look at the whole scope of opportunities and requests for accommodation to meet those requests and to determine what we might need to do to address that need. Clearly, there is a capacity for substantial additional accommodation at Technology Park, and we are looking at ways in which we can address that.

#### Membership:

Mr Quirke substituted for Mr Rann.

**Mr FOLEY:** What I was aiming at with the question on Westpac is something I have raised previously, that is, the Government's economic development plan with respect to MFP and the need to have them both running together. Whilst you are the Minister responsible for both the MFP and industry, which is an important mix of the two areas, are you comfortable and confident that we are getting that synergy and therefore that the economic development opportunities that the MFP sees sit with what you see in terms of the EDA and *vice versa*? We do not have an over duplication, nor do we miss the opportunities to ensure that we develop that critical mass at the MFP through both the energies of the EDA as well as the MFP?

**The Hon. J.W. Olsen:** One of the beneficial outcomes of my portfolio mix is that not only do I have the EDA and the MFP but I also have the EWS, which impacts directly against some of the key objectives of the MFP. For that reason, it is a portfolio mix that has borne, I would argue, substantial benefits in terms of removing duplication in some areas, clearly focusing on the outcomes and being able to coordinate the agencies to get the desired outcomes. Work load is another matter but, in terms of coordination, it has been very beneficial.

**Mr FOLEY:** I refer to self funding of the MFP. Regarding Federal and State Government funding, as useful it is, I am sure one would have the view that we would want to hedge against that being as significant a contribution to the MFP operating budget as it currently is. How is the MFP going in terms of reaching a position of if not self funding in terms of its recurrent operational expenses at least some degree of meeting a fair proportion?

**The Hon. J.W. Olsen:** That is not something likely to be attained in the short term, although we are working towards that. With Delfin Lend Lease and the expansion of the core site to take in areas where development can take place in the short term, one of the opportunities will be to generate cash flow out of that area that can be opened up now to assist with the opening up of the areas towards Gillman. Whilst the member for Hart would like the priority of Gillman to be re-established, perhaps he would show greater appreciation than in terms of the \$22 million for the Port Adelaide sewerage

treatment plant, which was shown earlier. The idea in the concept is, by expanding the core sector, to get private involvement and cash flow generating into further development working towards the western side of the core site.

**Mr Kennan:** Projects such as Australia-Asia Business Consortium are very much private sector driven. Obviously, to seek funding to get them airborne is very much the role we carry at the moment, but then they must be self-sustaining in order to survive. So, I think we are setting ground rules now that lead toward what the honourable member is asking. I think the Minister is being quite forthright in indicating that it will take a little time to get there; it is not there yet.

**The Hon. J.W. Olsen:** I am sure that from the point of view of the Commonwealth and the State, the sooner you reach that position the better, provided you do not compromise the original objectives of the project. A project of this nature has intangible benefits that are sometimes hard to quantify in terms of a bottom line advantage. If you have an international demonstration site and project management of a scheme such as this overseas, how do you quantify that in terms of the bottom line return? That is where it becomes somewhat difficult. The long gestation period is over. It is time during the next 12 months to get real runs on the board that are visible. The Commonwealth Government, in terms of the BIE report again this year into the MFP, and the South Australian Government are providing significant encouragement for the MFP to be successful, but that will not continue *ad infinitum* without visible runs on the board. The next 12 months are absolutely critical in terms of the long-term future of the MFP.

**Mr FOLEY:** The irony of John Bannon's vision being successful now in the hands of John Olsen is an interesting twist of fate.

**Mr KERIN:** The Minister mentioned the New Haven estate. What lessons has the MFP gained from its involvement in the New Haven estate?

**The Hon. J.W. Olsen:** The New Haven estate was the result of a national competition jointly sponsored by BHP and the MFP to raise standards of housing design and building methods throughout Australia and, again, to provide an international demonstration site. It was a way of showing how the public housing and streetscape design might look in the MFP urban development. It was to show the way forward in medium density and new approaches to affordable, environmentally sensitive, energy efficient housing in a community orientated setting. The design incorporates a main road, a railway station and a public park. The member for Hart would know about this as it is situated in his electorate and he has attended a number of functions related to the opening of New Haven.

It keeps the cost of housing and land packages at less than \$120 000. It incorporates outstanding design and innovation. At the same time, it implements energy, water and waste management systems on a site as pilots for MFP urban development. I think that is important to recognise; it is a pilot scheme, as is Intelligent Home, which I had the privilege to open in Adelaide at Regent Gardens last week. Both have application to the new urban design at Technology Park at the Greater Levels. Homes which were built for the Housing Trust as developer are now available for sale. They provide a practical example of the type of technologically advanced, environmentally sensitive and community conscious development that will be built in stage one of the MFP.

Performance targets achieved include average household reduction of energy use by 30 per cent using recycled water,

so that waste water and stormwater do not leave the site. Of course, that impacts against the Port River and Gulf St Vincent. By the time we fix up the Port Adelaide sewage treatment plant, the clarity of the Port River will surprise even the member for Hart. As well, average water consumption is reduced by a quarter, and alternative energy sources such as solar and geothermal heating and cooling are used. What has been achieved at North Haven will not only have application to the MFP stage 1 but will be a demonstration site for international visitors. The intangible benefit from a number of those projects is immeasurable.

**Ms WHITE:** In my electorate, a soda ash company, Penrice, employs a significant number of people. When the boundaries of the MFP development site were nominated, they cut across Penrice's existing operations. The land to which I refer has some salt crystallisation pans on it. If Penrice is required to move those salt fields, it will require a significant lead time in order to plan and to set up on an alternative site. I should imagine that the cost involved in doing that will be many millions of dollars. If that company will have to relocate those salt crystallisation pans, when will that be? What negotiations are now taking place between the company and the MFP?

**The Hon. J.W. Olsen:** Sensitive commercial negotiations are being undertaken between Penrice, the MFP and the South Australian Government in relation to a number of initiatives relating to Penrice. I do not think that it is appropriate, in a public forum, to discuss or debate those initiatives, but the interests of Penrice as a significant employer will not be jeopardised. There is good will on the part of the MFP to ensure that the company's future in South Australia is not jeopardised. The negotiations with Penrice are continuing.

**Ms WHITE:** The operations of Penrice and the MFP are vital to the State. I sincerely hope that the negotiations advantage both organisations. The Minister said that the MFP would have about 12 months in which to deliver benefits and projects. What specifically will you be seeking from the MFP over the coming year, and what performance standards will you set for the MFP? How will you measure its performance over the next 12 months?

**The Hon. J.W. Olsen:** Performance will be measured by outcomes. Barker Inlet and Magazine Creek are well on track. The Australia-Asia business consortium, which has its first intake next year, is operating successfully and is well on track. In relation to the MFP urban development stage 1, one would hope that, before the end of the year, we will move to phase 2 of the project. Therefore, one would hope for some significant announcements about the course to be pursued in relation to the urban development design. As it relates to the Virginia pipeline, I hope that, in the next three to four months, that matter will be successfully concluded.

If you are looking for benchmarks or performance targets, they are the four. They are the key targets that need to be established between now and 30 June next year, all having been successfully concluded and in varying stages of their development phase. If we are able to achieve that, clearly we will have demonstrated tangible, beneficial, visible outcomes of the MFP.

**Ms WHITE:** Picking up on the issue of the Bolivar-Virginia pipeline which the Minister knows is of some interest to me, what stage in relation to those performance targets would the Minister assess as being acceptable that the MFP has reached on that project?

**The Hon. J.W. Olsen:** MFP is not the only player in that. I referred earlier today to the fact that the EWS Department

made a major capital commitment of, I think, between \$30 million and \$40 million, which is a substantial commitment on behalf of the State Government to undertake the clean-up of the water—in layman's terms—to meet EPA requirements, and how that might lead off into the further treatment for distribution network. The \$10 million of Building Better Cities funds we assume will be used in part of that further treatment. It will be a requirement of the growers to accept a business plan in an irrigation district on a take-in pay basis for the water that is cleaned up and distributed through that system. A working party currently comprising the growers, EWS and MFP has made quite substantial progress in recent times, and I am confident that will successfully come to a conclusion in the next month or two.

**Ms WHITE:** As the Minister knows, my electorate takes in part of the MFP site—that is, the high tech end of town, I guess you could say. Another part of my electorate takes in some of the most socio-economically disadvantaged people in this State—that is, people who do not have particularly high skill levels in terms of their employment opportunities. If the aim is to attract a lot of high tech industries and high tech jobs to this State, many of my constituents do not fall into those types of roles. What role does the Minister see the MFP playing in upgrading the skills base for work forces in the northern area?

**The Hon. J.W. Olsen:** The MFP has to be understood as a small core group of 39 people. I do not see the MFP of 39 people being an education or training skills base, nor do I see them as providing services that other Government agencies ought to be providing in the category the honourable member talks about. The MFP has a clear focus. It has a charter and responsibility to deliver on those areas. The ripple, flow-on effect and beneficial outcomes of that will be felt by all people in the community. The honourable member is asking MFP to take on a role that is not and was never envisaged to be its responsibility with a staff of fewer than 40 people.

**Ms WHITE:** Does the Minister acknowledge that the attraction of some high tech industries to this State does depend on having ready work forces in the northern suburbs to take advantage of some of those jobs?

**The Hon. J.W. Olsen:** The honourable member has just drawn a distinction between two groups of people within her own electorate; now she is trying to bridge the gap between those two groups. The MFP has a clear and specific charter. It is pursuing that charter in relation to high tech industries. It is like the deal with Westpac the other day. The Opposition said: this is a good deal, but the trouble is all the jobs are going interstate. It is like saying: it is not bad for South Australia, but trying to discount the benefit for the State. You cannot have it both ways.

The simple fact is that Technology Park, which was established by the former Government, went into a bit of a static period but is now aggressively expanding and developing high tech industries which will bring a greater mix of socio-economic groups that will spread out and benefit all socio-economic groups within that electorate. That is a natural progression of bringing high tech industries and a broader mix of skills base, a broader mix of income base and a broader capacity therefore to provide a range of goods and services and infrastructure support within those electorates the honourable member represents. To expect MFP to undertake a charter that was never envisaged in terms of social re-engineering is not on the agenda and is not going to be.

**Ms WHITE:** Is the Minister satisfied with the current division of responsibilities between the MFP and the agencies under the portfolio of the Department of Environment and Natural Resources? For example, it seems to me that the MFP could be one of the vehicles for attracting greater participation by the environmental and waste management industry—which I believe is growing at about 10 per cent per annum—to accelerate environmental reclamation, reduction of land fill and so on.

**The Hon. J.W. Olsen:** I am not quite sure of the basis for the question other than the interaction between the agencies, and my understanding is that there is good interaction between the agencies; there is a cooperative, collaborative effort and, to my knowledge, there have been no difficulties in that area at all.

**Ms WHITE:** Will the Minister provide a comprehensive list of the major projects currently undertaken under the MFP umbrella that have been finalised and also projects about to be pursued by the MFP?

**The Hon. J.W. Olsen:** In my presentation to the Estimates Committee I have canvassed all the projects of the MFP, including their current status.

**Ms WHITE:** What are the reasons for the increase in the capital payments to the MFP from \$24.84 million this year to \$30.3 million next year; and what projects are planned for that 1995-96 allocation?

**The Hon. J.W. Olsen:** The principal reason for the increased funding in the capital works budget this year over last year involved the acquisition of land previously held by the 'bad bank' which formed part of the MFP core site, and that is being concluded before 30 June.

**Mr QUIRKE:** Getting back to Penrice, you said a moment ago that we ought to trust you and trust the MFP and its best intentions. That may indeed be good advice but it is certainly not doing a lot for Penrice. Penrice is concerned, and I would like to be able to tell it after these hearings today that it does not have to fear the compulsory acquisition powers of the MFP in respect of any of the properties it holds. Penrice views the compulsory acquisition powers as a sword of Damocles hanging over its operation and its current plans for expansion.

**The Hon. J.W. Olsen:** I do not know how recent is the advice of the honourable member—

**Mr QUIRKE:** About two weeks.

**The Hon. J.W. Olsen:** The new Chairman of the MFP has entered into the dialogue with Penrice after a discussion with me, and my understanding is that that matter is on track and there is not a level of concern with Penrice based on the discussions of Sir Llew and Mr Ron Knudsen from Penrice. I can assure you that, if Mr Knudsen were not happy with the outcome, based on past experience I would be aware of it now.

**Mr QUIRKE:** Is the Minister telling us that the compulsory acquisition powers of the MFP will not be used in that instance?

**The Hon. J.W. Olsen:** A clear understanding and arrangement is being put in place between the MFP and Penrice which, to quote my earlier answer, will not prejudice the interests of Penrice in South Australia as a major employer and value adding producer.

**Mr QUIRKE:** As to the water deal offered to growers in the Virginia area once the pipeline is completed, is the same commercial deal to be offered to Penrice?

**The Hon. J.W. Olsen:** That matter has not been raised with me specifically other than in general conversation on a

number of occasions when I had a site visit with Mr Knudsen at Penrice several months ago with one of my ministerial colleagues who looks after another area of interest for Penrice. Mr Kennan indicates to me that that matter has been raised with the MFP and will be given due consideration, as will the position for growers in the northern Adelaide Plains.

**Mr QUIRKE:** The allegation made to me about three or four months ago when I visited the Penrice site was that water would be offered to Penrice but not on the same commercial terms as it would be offered to growers. I was concerned and indicated that at the first opportunity, which is now, I would raise the matter and I want the Committee to be assured that the argument applied to those growers, about whom we all have interest in ensuring that they use recycled water rather than further draining the subterranean supply, is also applied to Penrice.

**The Hon. J.W. Olsen:** My only response is that I will forward to Mr Knudsen a copy of *Hansard* and ask him to comment on whether he is unhappy with the arrangements and come back with a detailed case. When and if he does I shall be more than happy to consider it.

**Mr QUIRKE:** I want to tie the point down so that the Committee can be assured that any commercial deal for the sale of water to growers will have the same value in dollar terms to any contract for the supply of water to Penrice.

**The Hon. J.W. Olsen:** That depends on a whole range of factors, not the least of which is the cost of the pipeline. If growers have a Commonwealth Government subsidy of \$10 million to underwrite the cost of their infrastructure, there will be infrastructure requirements for Penrice and I am simply not in a position here to indicate whether there are or are not requirements for Penrice, which is why I say it would depend on a range of matters. At the invitation of the member, I am not going to lock myself into a position without knowing all the facts of the case. Suffice to say, I understand there is a good working relationship between my office and Mr Knudsen. We have gone to considerable lengths to facilitate commercial negotiations in a number of areas. Because they are commercial negotiations I will leave it at that, but I understand that Mr Knudsen is most grateful for some of the processes that I have facilitated for him and Penrice. In any deal, in meeting the requirements of any company, the Economic Development Authority and my ministry have been cooperative in facilitating the key priority of the Government, which is economic development.

Penrice clearly fits into that category and that is why over the past 12 months the amount of time devoted to that company and project associated with it has been far greater than a majority of other companies in South Australia. It clearly has issues that need to be addressed now with longer-term implications. I acknowledge that and, in so doing, indicate that we have delivered on it. The honourable member says that he wants to tie me down in Estimates Committees. I remind him that he has the whole Parliamentary process and Question Time in the forum of the Parliament to pursue the matter if, in the fullness of time, we do not satisfactorily address the issue. After having seen all the facts of the matter, having debated them, discussed them and being aware of them, I will be more than happy to pursue the matter with him in any Parliamentary forum.

**Mr QUIRKE:** Obviously the cost of infrastructure and the cost of any delivery system of water has to affect the end price of the product. The allegation made to me is that at the point where the water is available you do not need a pipe. Presumably if you piped it all the way to Murray Bridge that

would add to its cost also, but the allegation made to me was that the cost of the water before it goes into any reticulation system was up to four times more expensive to Penrice through negotiations from the MFP than was the case for the growers. If you add a reticulation system on top of that, which is much longer, the cost will be greater still. This was the raw cost of the water. I want an assurance that either this negotiation is also now in hand or, if the MFP is marketing water at this point, it will not disadvantage Penrice or any other user in that area, for two reasons: first, the view I have always had of a level playing field; and, secondly, the importance of using that recycled water to prevent the sorts of problems we had with the subterranean levels of water in the northern Adelaide Plains.

**The Hon. J.W. Olsen:** The member is now starting to stray into the EWS area of responsibility and it would have been more appropriate for him to have turned up to the Committee during the examination of those lines earlier today. There will not be a four-fold increase for Penrice over the others—what arrant nonsense. I ask the honourable member to get something more reflective of the current times than four month old allegations made to him during a site visit and, if those circumstances still apply, I invite him to write to me and I will take up the matter and provide him with a very detailed response.

**Ms WHITE:** To pick up on that issue, if Penrice decides that this is something it wants to look at, obviously the water it uses is clean water, so they will not know whether using effluent water that has some nutrients will be commercially viable. Research will need to be done to determine it. Probably a commercial-scale trial of a system that would use effluent reuse water would be needed. Is the Minister willing to countenance some commercial support for such a commercial-scale trial, if Penrice is interested? Given that the MFP—

**The Hon. J.W. Olsen:** It is nothing to do with the MFP at all.

**Ms WHITE:** Well, with environmental technology and the potential export of that—

**The Hon. J.W. Olsen:** It is an EWS matter and not an MFP matter. It should have been pursued by the member when she sat in on the EWS or EDA examination of lines earlier. It is proposed that the Government underwrite a commercial-scale trial, which would have to have underwriting from the Economic Development Authority on the basis of supporting an industry.

That matter should have been before the EDA. The questioning currently is totally inappropriate for the lines before the Committee. Despite that, I respond by saying that if there is a justifiable base upon which we can give encouragement to an industry, whether it be Penrice or anyone else, to maintain existing levels of employment or to maintain value adding on a primary product, which Penrice's mining operation is, we will assist it. That is the track record of the Government and will continue to be so.

**The CHAIRMAN:** The Chair has one problem in that we have not closed off any lines although we have moved advisers in and out, so in theory the whole of the Minister's ministerial portfolio is open and has been since 11 o'clock this morning. I cannot challenge the legitimacy, but I agree that the appropriate time to put the questions would have been when the advisers were here. It is just a technical point, and members should be aware of that. When the advisers are here is the optimum time to obtain answers. There being no further questions on the MFP lines, I thank Mr Kennan and his staff for their attendance.

**Additional Departmental Adviser:**

Dr G. Simpson, Managing Director, SAGRIC International.

**The Hon. J.W. Olsen:** By way of preamble, I indicate that SAGRIC has performed an invaluable task for Government. For example, since 1980 SAGRIC International has completed over 500 technology transfer contracts in more than 50 countries; it has employed over 1 000 years of professional and contributed over \$250 million of economic benefit to South Australia. In particular, its performance in the Asian region has been invaluable. In the 1995-96 financial year SAGRIC International will be developing new markets in the region and establishing representative offices in the Philippines, Thailand, Malaysia and the Solomon Islands, which complement through the Economic Development Authority our overseas office representation.

It has also worked cooperatively with the Economic Development Authority in the development of the memorandum of understanding between the Northern Territory and South Australian Governments for the implementation of a business plan to link in with the Northern Territory's contract opportunities in Asia.

**Mr QUIRKE:** Who is currently on the SAGRIC board?

**The Hon. J.W. Olsen:** Mr Pat Harvey is the Chair. The other members are Mr Chennery, Mr Ewing, Dr Simpson, Ms Watts and Mr Wright.

**Mr QUIRKE:** What are they paid for sitting on the board?

**The Hon. J.W. Olsen:** For the board of SAGRIC International, it is \$7 180.

**Mr QUIRKE:** Does that include Mr Harvey?

**The Hon. J.W. Olsen:** No. Mr Harvey is on a number of other boards. His total remuneration package including SAGRIC International and other boards of SAGRIC International, of which there are four, amounts to a total package of \$39 992.

**Mr QUIRKE:** I understand that Mr Harvey is a former CEO of this organisation. Is that correct?

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

**Mr QUIRKE:** I also understand that he is a superannuant in South Australia under the old scheme. My information is that, if we add this amount of money to his pension, it is exactly the same salary that he received when he was the Chief Executive Officer of the show.

**The Hon. J.W. Olsen:** I simply do not know the details of Mr Harvey's superannuation, and I guess that the honourable member would not expect me to. However, I can seek the information from Mr Harvey if the honourable member wants me to.

**Mr QUIRKE:** I would certainly take the Minister up on that deal. I have been pursuing this matter now for a couple of years in various forums to ascertain exactly what is going on. When the Economic and Finance Committee held the salary inquiry, SAGRIC International did not strictly come within the terms of reference of that inquiry, because we deemed it to be a Government company. However, in that inquiry—and this is by way of reference to my next question—we found some fairly high salaries in that area. I will take the Minister up on the point of a thorough investigation of the matter. I believe that the non-executive Chairman (as he now calls himself) on this board receives an income well in excess of \$160 000 a year. I know that some of this is history, but will the Minister tell us what the last Chairman of SAGRIC International's board received? If the Minister

does not have the information, he might wish to take that question on notice.

**The Hon. J.W. Olsen:** You want to know what Mr Harvey's predecessor received as Chairman?

**Mr QUIRKE:** Yes.

**The Hon. J.W. Olsen:** We would have to look at the details to establish that, but I can do that.

**Mr QUIRKE:** Again, I will take the Minister up on that. The allegation made to me was that this was a greatly increased amount of money and it was tailored to suit Mr Harvey. I would like that point to be considered exhaustively to discover whether it is true. At one stage, I had contact with Mr Harvey. He rang me and it was some time before he would tell me his name. He wondered why the Economic and Finance Committee was investigating the entire remuneration procedures in respect of SAGRIC, about which I will ask in a moment. I have been concerned about the way in which that individual has been remunerated through that organisation. I would like to look at all that information if the Minister can provide it. I would be quite happy to receive that information later.

**The Hon. J.W. Olsen:** I have indicated that I will seek the information that is required.

**Mr QUIRKE:** One of my concerns about remuneration in this organisation, and this is in no way a reflection on the officer whom I have not had the pleasure of meeting, is that over the years the organisation determined its own remuneration effectively by bringing in consultants and having the board rubber stamp the amounts of money paid to senior officers.

As a consequence, the salary structures were well out of kilter with those of other comparable Government jobs as far as one can ascertain those levels. I should like to know—and this can be taken on notice—whether the Minister can tell the Committee, since the present Government came into play, how it will relate in the future to wages and salary movements within SAGRIC? In other words, is the lid placed on this process? Is there in place a reporting mechanism from the board to the Government or the Minister to ensure that we do not see some of the excesses that have happened in the recent past, of which I will give detail if the Committee wants it?

**The Hon. J.W. Olsen:** The Government reviewed the shareholding of SAGRIC International during the course of the past year and has changed that shareholding. There are two principal shareholders now rather than four Ministers, namely, the Treasurer and I. I have been in negotiation in the past weeks and months with Dr Simpson in terms of performance targets to be established for SAGRIC International for the next financial year, and that is a matter that the Treasurer, as a shareholder, will also be able to comment on before they are finally put in place. There will be a performance agreement between the Government and SAGRIC in terms of the bottom line, for want of a better description, on a percentage return on funds employed, etc., and we have negotiated that position.

The Government Management Board has looked at all board fees and included in that has been SAGRIC International. The fees that have been set in relation to SAGRIC International will take effect from the next annual general meeting of the board, which will be in November.

**Mr QUIRKE:** The board fees seem to be most reasonable and modest, and I have no problem with that. However, I have a problem with one individual getting \$39 982 on top of other arrangements. There is a history to this matter and,

if the Minister wants to pursue it, I will be happy to give him the file on it.

**The Hon. J.W. Olsen:** It has been put to me that the board fees will have a slight upward adjustment because, given the range of contracts that are being considered by the board, \$7 000 is inadequate in my view, and I separate the directors' fees, as has the honourable member, in this instance. Clearly the directors' fees have been inadequate and they need to be addressed. I have indicated to the directors that it is my wish to pursue that matter and I will do so.

**Ms WHITE:** What are the current earnings of SAGRIC, and are there any plans for its sale?

**The Hon. J.W. Olsen:** The Government considered the reshaping of the shareholding of SAGRIC and the options for the future, and it is not the Government's intention to sell SAGRIC International. Total group revenue for 1994 was \$24.5 million.

**Ms WHITE:** Have there been any significant changes in the management or management structure of SAGRIC over the past year?

**Dr Simpson:** The most significant change is the retirement of the Executive Chairman to become non-executive Chairman, and I assumed the CEO's role. My position is the CEO of the company, whereas previously it was the Executive Chairman, Dr Harvey.

**Ms WHITE:** Is the Minister satisfied with SAGRIC's performance over the past year, and I am particularly interested in the MRad project. What is the current state of play on that project?

**The Hon. J.W. Olsen:** In relation to the MRad project, that is a matter about which I have spoken to your Leader. I would be happy to pursue it again with the Leader. I rang the Leader in relation to MRad and it would not be my intention

to discuss that in a public forum but I would be happy to discuss it with the Leader of the Opposition if he so wishes further to my previous telephone discussion with him.

**Ms WHITE:** Can the Minister put on the record a list of all the current projects currently being undertaken by SAGRIC?

**The Hon. J.W. Olsen:** We can prepare a list of the current contracts.

**Dr Simpson:** In the last financial year we completed 120 contracts. The current major contracts number about 15.

**The CHAIRMAN:** Is the document in the library? Is it a public document?

**The Hon. J.W. Olsen:** No, that is of the board's minutes which would not be in the library. We can arrange to have incorporated into *Hansard* the response to the Estimates Committee.

**The CHAIRMAN:** Any documents which are public members can simply refer to for their own enlightenment rather than have details printed in *Hansard*. Thank you, Minister. There being no further questions, I declare the examination of the votes completed.

**The Hon. J.W. Olsen:** Can I just record in the minutes my appreciation for Dr Simpson's presence tonight before the Committee and, in particular, I would like to thank my own personal ministerial staff for the amount of work that they have done in recent times in preparation for the Estimates Committee.

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#### ADJOURNMENT

At 8.38 p.m. the Committee adjourned until Wednesday 28 June at 11 a.m.