

HOUSE OF ASSEMBLY

Wednesday 17 June 1998

ESTIMATES COMMITTEE A**Chairman:**

The Hon. D.C. Wotton

Members:

Mr K.O. Foley
 Ms K.A. Maywald
 Mr E.J. Meier
 Mr G. Scalzi
 Ms M.G. Thompson
 Mr M.J. Wright

The Committee met at 11 a.m.

Department of Treasury and Finance, \$24 900 000
 Administered Items for Department of Treasury and
 Finance, \$1 148 617 000
 Treasurer, Other Items, \$74 257 000

Witness:

The Hon. R.I. Lucas, Treasurer.

Departmental Advisers:

Mr G. Bradley, Under Treasurer.
 Mr R. Schwarz, Assistant Under Treasurer (Economics).
 Mr P. O'Neill, Assistant Under Treasurer (Budget).
 Mr J. Hill, Deputy Under Treasurer.
 Mr S. Archer, Manager Financial Services.

The CHAIRMAN: For the benefit of new members particularly I need to say that we usually adopt a fairly informal procedure in respect of these Committees. For example, there is no need to stand to ask or answer questions. The Committee will determine an approximate time for consideration of proposed payments to facilitate change over of departmental advisers. Have the Treasurer and the member for Hart agreed on such a program?

The Hon. R.I. Lucas: Yes.

The CHAIRMAN: When I ask the Treasurer to do so, could he advise the Committee of the agreed timetable?

Mr FOLEY: I have a question about that. Do you want me to do that now or leave it until then?

The CHAIRMAN: Perhaps leave it until I finish the statement. Changes to the composition of the Committee will be notified to the Committee as they occur. Members should ensure that they have provided the Chair with a completed Request to be Discharged form. If the Treasurer undertakes to supply information at a later date, it must be in a form suitable for insertion in *Hansard* and two copies need to be submitted no later than Friday 3 July to the Clerk of the House of Assembly. I propose to allow the Treasurer and the member for Hart to make opening statements, if desired, of about 10 minutes but certainly no longer than 15 minutes.

There will be a flexible approach to giving the call for asking questions based on about three questions per member, alternating sides. Members may also be allowed to ask a brief

supplementary question to conclude a line of questioning, but I make it quite clear that supplementary questions will be the exception rather than the rule. Subject to the convenience of the Committee, a member who is outside the Committee and desires to ask a question will be permitted to do so once the line of questioning on an item has been exhausted by the Committee. An indication to the Chair in advance from that member outside the Committee wishing to ask a question would be appreciated. Questions must be based on lines of expenditure as revealed in the Estimates Statement and reference may also be made to other documents, including the Portfolio Statements. It would be appreciated if members would identify a page number or the program in the relevant financial papers from which their question is derived.

Questions not asked at the end of the day must be placed on the next day's House of Assembly Notice Paper—and provision will be made for that. I remind the Treasurer that there is no formal facility for the tabling of documents before the Committee. However, documents can be supplied to the Chair for distribution to the Committee. The incorporation of material in *Hansard* is on the same basis as applies in the House; that is, that it is purely statistical and limited to one page in length. Again for the information of new members, all questions are to be directed to the Treasurer, not the Treasurer's advisers. The Treasurer may refer questions to advisers for a response. I also advise that for the purposes of the Committee there will be some freedom allowed for television coverage for a short period of filming from the Northern Gallery as well, if they wish.

Before commencing, I suggest that we have an afternoon and evening tea break: the afternoon tea break at around 3.30 p.m. and the evening break at about 9 p.m. for approximately 15 minutes—and I will specify a time of return when that time arrives. The member for Hart indicated that he had a question about the process.

Mr FOLEY: In discussions with the Treasurer's office, we agreed on a format for today, with which we are comfortable. In the morning session we have specific time slots for Department of Treasury and Finance, Administered Items, and Other Items. For ease of the morning session, can they be grouped into one session, rather than be tied to the specific time parameters as outlined in the schedule? I assume that those advisers are here. Can we have that flexibility?

The Hon. R.I. Lucas: Anything we can do to accommodate the Committee, within reason, we will endeavour to do.

The CHAIRMAN: That meets with the concurrence of the Chair, as well. Does the Treasurer wish to make a statement?

The Hon. R.I. Lucas: I will make only a brief statement and not take up the 10 or 15 minutes allocated to me. At the outset I indicate that I have enjoyed this process for the past four years although I did not enjoy it much as a member of the Legislative Council when in Opposition and I was not able to participate for 10 or 11 years. My viewpoint and that of the Government is that it is an important part of the parliamentary process, where Ministers and departments can be questioned by all members on details of departmental expenditure.

Although I am now responsible for a different portfolio, my approach for the past four years is based on a genuine viewpoint of trying to share information with members, as far as possible, and to respond as quickly as we can to questions on the day or within the time frame set down for questions on notice. Based on my experience of four years, the shape, nature and progress of Estimates Committees are largely

dictated by the way we all approach the task. In the past some members have spent all their time politicking so they do not get anywhere, and I am happy to engage in that if that is the wish of members of this Committee. My viewpoint is that the most productive Estimates Committees are those where sensible questions are asked and sensible answers are provided by me on behalf of the department.

As I said, I am in the hands of the Committee. It is not for me to dictate the shape and the nature of the process that we are about to enter into for the day, suffice to say that I approach it from the viewpoint, at least at the outset, of wanting to share information in a genuine way as much as we can. Having been in Opposition for 10 or 11 years, I know that Opposition members never get all the answers to their questions in the precise form they want them. That is part of the process. I understood that when I went through that process during my 10 or 11 years in Opposition in the 1980s and early 1990s.

In the spirit of sharing information as much as we can, I indicate that I have issued a public statement this morning in relation to an issue which is of some interest to Parliament and to members in terms of the fees that we will pay this financial year to each of our consultants in the electricity sale process.

I do not have a copy of the press statement with me at the moment, but there will be one available later this morning. It is indicated in the press statement that we believe we will spend \$3.7 million on consultants' fees this year. Our lead advisers this financial year will receive \$1 million; our legal team, which comprises three separate legal firms, \$1.2 million; our accounting firm, KPMG, \$900 000; our economic consultants, Putnam, Hayes and Bartlett, \$490 000; our communications consultants, about whom there has been a lot of speculation by the press and by Parliament and who are involved in business development communications networking—

Mr Foley interjecting:

The Hon. R.I. Lucas: It is not just Geoffrey—

Mr Foley interjecting:

The Hon. R.I. Lucas: It is Mr Anderson and Ms Kennedy.

Mr FOLEY: My old boss—

The Hon. R.I. Lucas: Your old boss. This year, payments to them are estimated to be \$50 000; project management assistants, Kinhill, will receive \$40 000; and actuarial consultants, Mercer, \$50 000. That is a total of \$3.73 million for this financial year—bearing in mind that I believe the longest period we would have employed consultants would be close to three months, and that would be our lead advisers. I can check the exact time.

Mr Foley interjecting:

The Hon. R.I. Lucas: I thought this was an opening statement rather than interjections and questions—but perhaps they count as the honourable member's first two questions. In the interest of sharing information, we have indicated that next year we are estimating \$8.5 million for 1998-99 but, as my statement has clearly indicated, a number of factors may well impact on the actual payments in the end. Again, in the spirit of trying to be as open as we can about these sorts of things, as an indication of the Government's and my willingness to share information with the Committee and with the community (which I am sure all members would want to support) at the end of each financial year (as we are doing at the end of this financial year) we will report on the

actual expenditure and payments to each of our consultants in an open way, in terms of the payments that—

Mr Foley interjecting:

The Hon. R.I. Lucas: I am happy to respond to questions when we get to them.

The CHAIRMAN: I think that is a very good idea.

The Hon. R.I. Lucas: I believe that someone on my right is a little over eager at this stage; he is a bit excited by all this openness and honesty that we are indicating right from the start. At the end of each financial year, we will report what each of our consultants has been paid from the public purse. I believe that that is appropriate and proper, in terms of public accountability of the process. I will do so at the end of this financial year—although we are obviously still two weeks away from the end. Obviously, there will be a final sign-off at 30 June, but it will not be much different from the \$3.73 million figure that we have indicated for this year.

I do not want to make a broader statement than that: I just want to give that as an example. Information has been sought in the past and where possible—and it will not always be possible—we will do our best to share as much information as we can with members either today or in response to questions that we might take on notice.

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

Mr FOLEY: I do. Like the Treasurer, I do not intend to waste the Committee's time by reading out prepared speeches. However, I would like to make a few comments. I welcome the Treasurer to the House of Assembly. Our behaviour and conduct may not be quite as it is in the Upper House, where I am sure members live a more dignified and controlled existence: in the House of Assembly, from time to time, things do tend to be just a little different. Welcome to the House of Assembly.

The CHAIRMAN: It depends very much on how the Chair proceeds.

Mr FOLEY: Absolutely. We are lucky to have such an experienced Chair as you, Mr Chairman. It is worthwhile my taking a few moments to make the observation that, whilst the Opposition certainly respects you as Treasurer, as the Leader of the Government in the Upper House, and as a very senior member of Cabinet, it needs to be said again that the fact that the current Premier could find no-one on his existing front bench in the House of Assembly to take on the role of Treasurer is an indictment on the quality of the front bench in the Lower House. Whilst you as Treasurer are a very capable and experienced senior Minister, the fact that we must go through the nonsense, as we did, at budget time of inviting you to give a speech on the floor of this House and other issues relating to Bills being introduced in either House is an added layer of complexity.

That situation is normally avoided. It is not the tradition of this fine Parliament, nor indeed the tradition of Parliaments around Australia, with one or two exceptions—I note that New South Wales has a Labor Government. Certainly, in South Australia it is uncommon: in fact, it has not been done before and, as I said, it reflects more on the quality of the front bench in the Lower House than anything else.

An honourable member: They might be warming him up to be the next Premier.

Mr FOLEY: The other option is that the Treasurer simply saves us all the trouble and comes down to the Lower House. The Opposition has noted the budget and, only four or five months ago, we undertook a fairly heated election campaign.

As we know, one of the major policy backflips of the Government was the sale of ETSA. Equally significant—although it has received much less coverage and so I think that it is important to note it today—is that predictions about the state of the budget were made leading up to and during the election. I acknowledge that, at that time, you were not the Treasurer, but I certainly recall the words of the former Treasurer and, indeed, the Premier, when the Opposition put some very serious questions to those respective people during the election campaign: we were assured that the budget was on track, that the budget settings were correct and that the three years of budget surpluses outlined in the last budget were on track and would be delivered.

Obviously, you were sitting, or your Government, at least, was sitting on information during the last election campaign—as you did with the sale of ETSA—simply to avoid proper scrutiny and voter backlash had you been honest and open. Treasurer, I have noted your budget speech. All members who heard that speech would have noted that the former Treasurer (Hon. Stephen Baker) clearly was given a bit of a touch up in the speech. I refer to part of the speech:

Without wanting to down play the significant achievements of the last four years, it is clear that a realistic assessment of the future indicates that there are significant challenges still ahead.

I suspect that Stephen, sitting in Manila, would not have been overly pleased with that reference to him. Clearly, it is important that we continue to remind the community that, at the election, this Government said that the budget was on track for three years of surpluses and that the budget settings were correct. As we have seen, those statements have now been effectively jettisoned as we have moved into a new budget cycle.

The taxation increases that we have seen have certainly been a brutal blow to the community of South Australia. Clearly, if the Government had been aware of the situation—as it no doubt had to have been aware during the election campaign—it should have been much more open and honest with the people of South Australia about what it was looking at in terms of the taxation regime. Again, that was deliberately withheld from the public. I look forward to your own internal Party wranglings, having seen already the very distinguished member for Colton's pounding the airwaves yesterday, last night and again this morning, making his opposition to the emergency services levy well known.

I look forward to the member for Hartley's reaction—the man who nearly lost the Liberal Party Government at the last election and who is now the most marginal member in the Government—to the emergency services levy being applied in his electorate.

Members interjecting:

The CHAIRMAN: Order! Let us have a bit of cooperation from the Committee and get on with what we are on about, which is the Treasury line.

Mr FOLEY: I am just making my opening comment. I am being badgered by the backbench member for Goyder, the Party Whip.

Members interjecting:

Mr FOLEY: I can go for 60 minutes, if you want; I am quite relaxed about it. No doubt we will work through the issue of the budget as the day goes on. I am interested to note that the Treasurer, as is normally the case, has put out an opening statement and no doubt will have one or two more surprises for us during the day in terms of consultants. We will be keen to see what certain consultants are being paid for the sale of ETSA and other Government businesses. I must

say that the accrual accounting documents are difficult to read but, clearly, it is a new learning curve for all of us. The Premier last night said that the accrual accounting move may be undertaken over three stages, so I will be interested to hear the Treasurer's comments on that during the day. I understood that it would be a two year phase-in period, but the Premier last night under examination indicated that it may be three years.

I should also point out that, whilst there is a large body of new advice and information in these budget papers, it is perhaps not as illuminating as we would have thought. With those few words and the indulgence of the Committee I will move on to questions, if I may.

The CHAIRMAN: Before you do, I declare the proposed payments open for examination and refer members to pages 75-86 of the Estimates Statement and part 3 of the Portfolio Statement.

Mr FOLEY: My first question is based on the issue of the likelihood of a goods and services tax being the centrepiece of the Treasurer's Liberal colleagues' Federal election campaign. Has State Treasury developed submissions in the current financial year to the State Heads of Treasury State Taxes Working Group and to the Commonwealth Government advocating tax reform and changes to State funding arrangements? Does this paper advocate a broad-based consumption tax and will the Treasurer make these documents available to the Estimates Committee?

The Hon. R.I. Lucas: My advice, confirmed this morning, is that a number of discussions have been going on at officer level, not only this financial year but I suspect in previous years, although I have inquired only about this financial year. I am told that no Government-endorsed submission has gone to that Heads of Treasury Working Group. Obviously, a number of discussions have gone on and information has been exchanged.

Given that the issue has been raised, it has obviously been a matter of some interest over the past 24 hours. It is really a question of the Government's position, which has been pretty clear for a little while. In the end, we are waiting for a definite proposal from the Commonwealth Government (particularly from the Prime Minister and the Treasurer) in terms of the shape and nature of their total tax package.

Since I became Treasurer I have indicated on a number of occasions—and so, too, has the Premier—that South Australia is prepared to support some sort of comprehensive tax reform package. A whole range of principles ought to apply to that, and a whole range of provisos will apply in relation to the State Government's position. We do not sign blank cheques for anyone, including the Commonwealth Government. We have indicated in our discussions—and I have indicated publicly—some broad indication of support for a tax reform package. We will have to wait and see the shape and nature of the tax reform package. Certainly, it is no secret that for quite some time the Commonwealth Government has been talking about a package which includes a 'BOBIT', a broad based indirect tax. You can interpret the acronym as you wish.

In exchange for the broad based indirect tax there would have to be some compensating reductions in taxation overall, because the Prime Minister has made it quite clear that one of the principles—and he has enunciated a number of principles—is that he does not want to see any overall increase in the level of taxation. If you impose a 'BOBIT' onto the Australian populace—

Mr Foley interjecting:

The Hon. R.I. Lucas: I will not respond to that interjection. If you are to impose a broad based indirect tax, consistent with the Prime Minister's principle, there will have to be some reductions in a whole range of other taxes and charges. The Premier and I have indicated a range of those, which have been discussed. Clearly, wholesale sales tax is one, and I am sure we will explore this later on in questions today. Being manufacturing-based, particularly with the motor vehicle and component industries, if the wholesale sales tax is removed it is obviously a comparatively good thing for manufacturing States such as South Australia and, to another degree, Victoria. As the Premier indicated yesterday, a range of other State taxes, such as the financial institutions duty and payroll tax, as well as some of the stamp duty charges in the financial and business areas, have been talked about in terms of trade-offs.

Other issues come into it in terms of how you fund income tax, which is not necessarily a key issue for States and Treasuries. There are also views from the National Party in terms of a fuel excise and whether or not that might be one of the offsets. So, until we as a State see the colour of our colleagues' eyes (to use another expression) on tax reform, it is very difficult for us to respond to anything other than hypotheticals. I am prepared to go down a certain path with the hypotheticals as I have, but I will not go into the detail of a whole range of other quite specific and detailed questions until I see what the Commonwealth wants to put to us.

Mr FOLEY: Thank you for your long and broad answer. I take it from that that you do support a GST; I think that was what I could deduce from those comments. I heard that John Howard was looking for another name for his goods and services tax. If the revelation that the new name for a goods and services tax is the 'BOBIT' tax, I suspect that will create a few smiles around the community. I think that is a most unfortunate acronym for taxation reform—it has certain connotations. Perhaps it will mean less tax; I am not sure. It certainly meant less something for some unfortunate person in America.

With respect to the GST, we are on the eve of a Federal election. No doubt, we will know in a matter of weeks the timing of that election and, no doubt, the taxation reform agenda will be released by your good friend and colleague Peter Costello. What analysis has the State Treasury undertaken, working on a ballpark figure of a 10 per cent GST, on the impact on the cost of delivering State Government goods and services? What impact are we looking at on our budget?

The Hon. R.I. Lucas: The Government's response to that has been fairly clear. Until we see the exact nature of a broad based indirect tax, that remains unclear. The member for Hart uses a figure of 10 per cent, but so far the Federal Treasurer and the Prime Minister have studiously avoided nominating particular figures. It is basically press and media speculation which has centred on 10 per cent. In recent times figures have been speculated at up to 15 per cent, with some at 11.5 per cent to 12 per cent as some sort of compromise, again from the media given the view that 'Fightback' was at 15 per cent, and that the current Prime Minister might want to distance himself from that figure.

However, the contrary argument is that if you do a whole range of other things which we understand that perhaps the Prime Minister and Commonwealth Government might want to contemplate doing, together with what a whole range of other people want to do—such as getting rid of payroll tax, doing something in relation to fuel excise, or fund income tax at least in part if that is what they finally decide they want to

do—you do need a very broad based tax. That is why it is called a broad based indirect tax under the latest proposals. Secondly, you might need a higher rate than the rate the honourable member is talking about. There is not much point in our spending a lot of time, money and effort on how much it might cost State Government departments and agencies until we see the colour of our colleagues' eyes and know the shape and detail of the proposal.

Mr FOLEY: I think there was an answer in there somewhere. We know that the State Government has done quite a bit of work on the GST and on taxation options. During the State election campaign the Opposition had yet again another leaked document with respect to national tax reform which canvassed issues of value added taxes, State income taxes—a whole raft of taxes. At the time, the Premier dismissed that as nothing more than a document prepared by a low ranking Treasury officer, almost indicating it was something done on the weekend as a bit of a hobby. He mentioned that officer and, as we know, Mr Schwarz was the officer mentioned by the Premier in that campaign. I see him sitting two seats to the Treasurer's left, but I do not think Mr Schwarz is a junior officer working in Treasury on a bit of a hobby.

No doubt State Treasury has put quite a lot of work into the options, as it should, broadly canvassing what options are available. Of course, the Premier was quick to deny that during the election campaign. You have clearly done a lot of work on it. Surely you cannot tell this Committee that, if a GST is in place within a matter of three, four or six months, however long it takes, you have not done any preparation for that at all. You must have an idea on the delivery of a State goods and services tax. I ask again: what work have you done and what are the likely impacts?

The Hon. R.I. Lucas: The member for Hart can use up his third question if he likes by asking the second question again, but he will get exactly the same answer. Yes, we have done a lot of work in terms of the broad principles of national tax reform. It is really in that area that we have devoted our endeavours. Before you start getting down to the detail of what a 5 per cent, 10 per cent or 15 per cent broad based indirect tax will cost individual departments and agencies, you have to get right the overall national tax reform package. You have to get right the essential broad principles.

It is correct to say that we have done a lot of work in relation to those issues, but you have to get those principles and the overall structure of the tax reform package right. Then we put our views in the various forums that we have to the Prime Minister and to the Treasurer. Yesterday the Premier might have indicated that both he and the State Government were keen to have a COAG or leaders' meeting, a summit or a meeting of the minds, on the issue of national tax reform. Certainly I indicated last week in my speech to a group down the road that we were interested in participating in further discussion on the shape and the final structure of the national tax reform package.

Certainly the strong view that I have put previously to the Commonwealth Government is that with any national tax reform package a number of groups and people will always be pretty quick to come out and oppose it. We imagine that our Commonwealth colleagues would want a number of people and groups, such as State Governments, to come out in support of a package. As I said earlier, we are not prepared to sign blank cheques. We want to see the final detail. As the Premier and I have indicated, we are willing to participate in a comprehensive discussion about the final shape and

structure of the Commonwealth Government's plans, if it decides that is what it wants: it really rests with the Commonwealth Government.

Yes, we have done and we will continue to undertake a lot of work on the total shape and structure of this tax reform package, but we need to do these things in a sensible order. It is not much use not undertaking that work and then working on the detail of what might be media speculation about a particular rate of the tax, whether or not education and health will be zero rated, or all those detailed questions, until we know what it is that the Commonwealth Government is contemplating in terms of its total package.

Mr MEIER: I note in the Budget Statement that the public sector superannuation liability for 1998 is approximately \$3.686 billion. Is the Government on track to achieve its stated objective of eliminating unfunded superannuation liabilities within 30 years?

The Hon. R.I. Lucas: This was an important issue for the previous Treasurer and Government and continues to be an important issue for this Government. We talked earlier about the challenges of bringing in an accrual set of accounts as opposed to our old cash based accounting systems. Obviously, as we move through this process—whether it be two or three years is an issue we can explore later—certainly from the Government and Treasury's viewpoint we are intent on making these documents as helpful as we can for members, journalists and other commentators. One of the big attractions of accrual accounting is that each and every year we will be making apparent the sort of future liabilities that we as a current Government (or any current Government) incurs on behalf of future Governments, future generations and future taxpayers.

Certainly, the Under Treasurer has discussed this in his briefing sessions with members of the Opposition and others. This is one of the clearest examples that we can see of transparency of our budget documents for now and into the future. It also applies to areas such as employee entitlements and a range of other issues. It has been all too easy in the past for Governments to accrue significant unfunded liabilities and leave them to future generations to pay off. The ballpark figure about which Treasurer Baker talked was up to \$4 billion in unfunded superannuation liabilities that someone at some stage would have to pay off. When this was first announced in 1994-95, a 30 year program was announced in terms of fully funding or meeting that particular commitment. Clearly, it was impossible, given the financial traumas and stresses facing the State Government—tackling our almost \$9 billion debt—to do anything in the space of 12 months, for example, on the issue of funding the unfunded superannuation liabilities and it would not have made any sense at all.

It is a long-term program. Some tinkering was done in 1997 which was reported to the Parliament and to the community, but I am pleased to be able to say that this particular budget document has us on track—and by 'this budget document' I am referring to this four year financial plan—to meet that 30 year commitment to pay off the superannuation. As I understand it, at the end of this coming financial year (30 June 1999), we will be about \$81 million ahead of schedule. I suspect that, as we get towards the end of the four years—and if we have been fortunate in terms of good management and economic and financial conditions—we might still be a little ahead as well.

Certainly, one of the decisions that we are contemplating currently in relation to the sale of ETSA and Optima and the decisions we have taken in relation to superannuation may

well mean that we will see a significant payment being made as part of that process, in terms of the unfunded liability section of the ETSA and Optima workers. If we make that payment up front, that will again put us ahead of our schedule in terms of repaying the 30 year unfunded liability.

Mr MEIER: Will the Treasurer outline how the increased revenue from gaming machines has been distributed?

The Hon. R.I. Lucas: Again without wanting to get into the detail—which we are happy to supply if that is required—certainly it will continue to be distributed through the procedures that we have adopted and of which we have been aware in at least the past two years; that is, the sport and recreation fund, the charitable and social welfare fund and the community development fund. The sport and recreation fund will continue to receive \$2.5 million a year to assist the sporting and recreational groups of which the honourable member will be well aware from his own area. The charitable and social welfare fund will receive \$3 million per annum to provide financial assistance, again in the way it has been done in recent years. The community development fund will receive \$19.5 million for health, education and community development.

The balance of the money, obviously, goes into consolidated revenue and we use that to pay for important initiatives in health, education, police and a range of other worthy Government expenditure areas as well. The point I make briefly this morning is that, in relation to the community development fund, very little publicity has been generated by the Government on how that money is expended. I know as the former Minister for Education we used our share of the gaming machine money to substantially fund our information technology initiatives. Certainly, when we look across the border to Victoria they have been cleverer in one respect; that is, by indicating to their community how they have used the gaming machine money. For example, I visited the sporting complex at Albert Park—I cannot remember its exact name—for the national volleyball titles in which a couple of my sons were participating. As you walk through the front door there is this enormous banner which says: this cost you, the taxpayers, \$20 million, \$30 million, or something, paid for out of the gaming machine revenue, and it is signed 'Jeff Kennett'.

The subtlety of the message is not lost: first, Jeff Kennett is the Premier and has undertaken it, but, secondly, it is hammering home to the community that the money collected from gaming machines does not go into a bottomless black hole for the benefit of fat cat politicians and public servants—if I can use the colloquial expressions of the media. We are not spending it for our own purposes: it is actually being spent on community benefits. As I said in relation to education, it has been substantially funding the IT initiatives—the computers in schools initiatives—that we have undertaken. Whilst I am not involved in education, health and those other areas, my very strong view is that, in terms of this gaming machine debate, the Government needs to highlight the importance of the funding and the way in which we use the funding for the benefit of the community generally.

Mr MEIER: The Treasurer and the member for Hart have addressed the issue of accrual funding and the complicatedness of it. I suppose that in two years time it will seem simple enough. Obviously, the Department of Treasury and Finance is very reliant on computers for its finance programs. Can the Treasurer advise what the Department of Treasury and Finance is doing to address the year 2000 issue?

The Hon. R.I. Lucas: Our department is no different from all the other departments. It is a priority area for government in terms of planning, and each department has its own specialised officer, and some of the bigger departments might have more than one, who is charged with the responsibility of tackling this issue. I noticed that not too long ago the Minister for Administrative and Information Services estimated a total cost to the public sector of about \$78 million. I have to say that it is very hard to estimate, because we have submitted some costs that comprised a component of that \$78 million. In the discussions I have had with our agency, I know that some systems are outdated and we have to replace them. In some cases that replacement has been brought forward significantly, in other cases it has been brought forward only marginally, and others have been replaced at roughly the time they should have.

Some of the new systems cost millions of dollars, so we are ensuring that all the new systems are year 2000 compliant so that we do not have a problem. It is a very difficult issue for Government departments and agencies to absolutely nail down what the cost of dealing with the year 2000 problem will be. The first question that has to be asked when figures are quoted is: how is the expenditure defined and how is it being tackled? The Government and Government departments are using a definition, and we are broadly working within that definition.

As with other agencies, we have a departmental year 2000 steering committee with Executive representation which is overseeing this issue. As I said, we have our own officer and we have done our own audits and inventory. We are working with the other departments in terms of what we need to do. We are upgrading some of our systems, in particular our superannuation system, to make sure that we do not have problems. We have also taken on board some small-scale consultancies to assist us in tackling our particular problem. I would say that we are no better or worse off than most of the other departments or agencies. I think that we are on track in terms of tackling the issues. As we go, we identify other issues and we are assiduously setting about tackling them as quickly as we can to make sure that we do not have a problem in terms of the year 2000.

Mr FOLEY: Before I ask my question, I should like to respond to the Treasurer's reply to a question from the member for Goyder. If he is suggesting that the new Hindmarsh Soccer Stadium should hang a sign stating 'Proudly paid for by the South Australian taxpayer courtesy of our poker machines', bearing the name of Premier Olsen and Deputy Premier Ingerson, I point out that I am not sure that is the direction we should be heading. However, I take the Treasurer's point that Governments have not articulated well where our poker machine money goes. I hope that the Government will resist the temptation of following Jeff Kennett's approach of having his name hanging off landmark buildings, trying to get political mileage out of public works projects. I know that Graham Ingerson is not a man—

The CHAIRMAN: Does the member for Hart have a question?

Mr FOLEY:—who would want to participate in hanging banners off such buildings. I return to the GST issue. What the Treasurer is saying is that the Government has not put a position to the Commonwealth Government and that he is going to wait until he sees, in his words, the colour of their eyes. We know that a GST will be put on the public agenda during an election campaign. The Treasurer wants me to believe that he is simply going to sit back and wait for an

election campaign to debate the issue of a goods and services tax and that, after that, the Government will have a few meetings with the Commonwealth and work through it. That is just not believable.

The State must be having dialogue with the Federal Government to understand the likely impacts on our State. It is important to understand that, because I cannot accept the Treasurer's position of waiting for the election campaign. We need to know what the impact on the State would be and what areas the Government would be advocating to the Prime Minister. The Prime Minister has said that there will be a GST if he is re-elected, so the Government has been having discussions with the Commonwealth. What services in government will be zero rated? Will education be zero rated? Will health be zero rated? Will gaming be zero rated? These are fundamental questions on which the Government must have had dialogue with the Commonwealth and on which it must have a position.

The Hon. R.I. Lucas: The member for Hart can indicate that we must have this and we must have that, but ultimately it is for us to determine what our position will be, not the member for Hart. The member for Hart's introduction to that question incorrectly presents my answer to his earlier questions. Let me put on the record quite clearly that in a number of significant areas he has misstated what I said, and I refer him to *Hansard*. I have not said at any stage, for example, that we are going to wait for the election for this debate to occur. That is a concoction of the member for Hart. If he refers to my answer, he will find no reference to my saying that we will wait for the election. I did say that we are waiting to see the colour of our colleagues eyes in terms of the proposal, but we are not advocating that that be in the space of a three or four week election campaign period.

I made it quite clear that the Government's position is—and we made the offer to the Prime Minister and to the Federal Government—that we would like to have a sensible discussion as soon as possible about the shape and structure of national tax reform. The member for Hart in that area and in a number of other areas significantly misstates my position, as reported by *Hansard*, in response to the earlier question. I am not sure whether that is the way that questions are conducted generally in the House of Assembly, but I can only refer the honourable member to the answers I gave. I am happy to respond further to questions based on the answers that I have already given him, but in a nice sort of way (if that is possible without offending him, because I do not want to offend him) I indicate that I said nothing about waiting until the election for this debate. I also said nothing that would lead the member for Hart or anyone present to indicate that we are not having ongoing discussions. I indicated that right at the outset to his first question.

Mr Foley interjecting:

The Hon. R.I. Lucas: I have shared as much as I am prepared to share with the honourable member in answer to his first three questions. There are ongoing discussions. When he asked his second or third question as to whether we have done our calculations about what a 10 per cent tax would cost in various Government departments, I said in response to that question—and I am sorry if I am being tedious but the honourable member has asked the same question three times—that we do not know whether it will be 10 per cent, 12 per cent, 15 per cent or 8 per cent. Until we get the figure, there is not much point talking about that level of detail.

Where we are doing a lot of work and where we are continuing to have discussions, at officer level and at

Treasurer and Premier level, is on the big decisions about which taxes will be offset and what will be the Commonwealth Government's response to a sharing of an income tax base or some other element of the Commonwealth growth tax proposal, such as a broad based indirect tax. What will be the impact on the State of South Australia in terms of our overall revenue share from the proposal compared with the other States?

These are the first order issues that have to be resolved before you get down to second and third order issues about what will be the impact on, for example, a transport fare, an electricity charge or some other charge or cost within a Government department or agency. I can only repeat that we are actively involved, to the degree to which we can be, with either our officers or with Premiers and Prime Ministers and Treasurers, in talking about those first order issues. When we can see the shape of their package or the options that they are actively considering, we will be in a position to do the more detailed work.

An honourable member interjecting:

The CHAIRMAN: Order!

Mr FOLEY: We could be here all day: the Treasurer is a very skilled politician, in terms of giving non-answers to questions. The inference that I was drawing was quite correct, that is, given the timetable set by the Treasurer's colleagues—particularly after his Party's stunning electoral success in Queensland—we may be heading to a double dissolution (according to the Deputy Prime Minister) as soon as any day after 4 July, and the tax package may well, on current settings, be announced in the week leading into the calling of a Federal election. So, I believe that the issue of trying to work through the implications of a GST will, in all likelihood, be centring around the next Federal election.

I want to move onto the Treasurer's speech of the other day—and, to refresh his memory, I understand that it was delivered to the Securities Institute. The Treasurer said that he could not recall whom he was addressing at the luncheon the other day: I understand that one of the parties was the Securities Institute. The Treasurer advocated a significant shift in taxation policy, that being the ability for States to have access to income-taxing powers. That is quite different from a fixed share or a share of national income tax. He advocated at this luncheon the ability for the States to have a component of income tax—to have their own State-based income tax powers. That is certainly as has been reported, and it has not been denied. Will the Treasurer expand on that? Does he support at this stage, as the preferred position for him as Treasurer, in the wash-up of national taxation reform, having his own powers to levy a component of income tax?

The Hon. R.I. Lucas: My position on this issue has not changed since late last year—and the shadow Treasurer might not yet have had a chance to read all the budget documents. I refer him to the one that we prepared, which was a sort of a primer for reading the budget, which is titled *Budget at a Glance*. It is in big type, and—

Ms Thompson interjecting:

The Hon. R.I. Lucas: Didn't see a thing?

Ms Thompson interjecting:

The Hon. R.I. Lucas: Didn't it? I refer the honourable member to that document. It was tabled in the House as part of the Government's budget package. I will quote from the document, because the honourable member obviously seems to think that my speech to this group last week was some significant new statement of Government policy. Under the heading 'National Tax Reform', the document states:

- The loss of business franchise fees on petroleum, tobacco and liquor during 1997-98 has further constrained the revenue raising powers of the States and Territories.
- Abolition of some other State and Territory taxes, such as financial taxes and business stamp duties, as part of the national tax reform package, would improve the efficiency and fairness of the national taxation system.
- If such taxes were abolished and the States and Territories were not provided with access to new and better sources of taxation revenue, their reliance on funding from the Commonwealth would increase.
- South Australia would be prepared to abolish its most inefficient and damaging taxes in return for access to broad revenue bases such as personal income tax.

And I will return to other options which are available. The final dot point states:

- This would be achieved by the Commonwealth lowering its income tax rates and allowing all States and Territories to tax personal incomes through the Australian Taxation Office—such reforms would not increase the overall burden of income tax.

That passage was produced on behalf of the Government in the document *Budget at a Glance*. I acknowledge the fact that not all members would have had a chance to read all these documents, but I would have hoped that the shadow Treasurer might have done so before he asked the question today. The statement that I made last week was consistent with the documents tabled in the House on behalf of the Government and consistent with statements—and the Premier was interviewed by, I believe, Greg Kelton, a journalist with the *Advertiser* (our worthy morning newspaper) in about April—

Mr Wright interjecting:

The Hon. R.I. Lucas: I do not know which edition it was in. Certainly, both in the statement that I made last week—and it was openly tabled in the House two or three weeks ago as part of the budget documents—and in the statement that the Premier made in April to Greg Kelton, I think it was, during the *Advertiser* interview, we have consistently raised a range of those options.

This document refers to 'revenue bases such as personal income tax'. There are other options. I know that, in the early stages of discussion, at least one other State was arguing that perhaps the States and Territories ought to have a share of the broad based indirect tax so that, rather than having access to income tax, the alternative might be to have access to the broad based indirect tax. There are also other options where, without levying a State-based income tax, there can be some sort of guarantee to the revenue from income tax. So, one could be guaranteed the revenue from income tax in some way which would protect State and Territory interests, but one would not have to levy and label a State income tax.

I have had discussions with Peter Costello and, ultimately, it comes back to seeing the colour of Peter Costello's eyes in relation to all of this. What is it that he wants to put to us? Does he want to put to us that he is prepared to guarantee a share of the revenue from income tax in some sort of way that we would be comfortable with, without actually levying a State income tax as such; or would he support a State and Territory income tax which would still have to be collected by the Commonwealth? I believe that that is the important issue. Under that particular model, the Commonwealth tax office would continue to collect the tax and it would still be at the same overall rate—or less, depending on the type of package—but it would just identify a component as being for the States in some way. There is a range of other options as to how you might do it. Or, as I said, in the early stages, one of the other States was canvassing the issue of having a share of the broad based indirect tax revenue.

I believe that at one stage (although I do not believe that it was ever anyone's formal position) the notion was that we might have a percentage of both the broad based indirect tax and the income tax revenue. That was another option. So, there are a range of options. Again, our advice from South Australia, as I understand it, is that, for constitutional reasons, it will be more achievable for the States to have a share of the income tax base as opposed to the broad based indirect tax proposal, but there are some constitutional difficulties potentially with the sharing of the broad based indirect tax option.

So, my position is pretty clear. I can only repeat it. On behalf of the Government I put it down in the Parliament, and in conclusion I urge the shadow Treasurer to spend the lunch break reading the Budget at a Glance document and a range of other things, and we might be able to engage in a more sensible discussion about national tax reform.

Mr FOLEY: Thank you for that piece of gratuitous advice, Treasurer. There is a distinct difference between the issue of a fixed share of national income tax and, indeed, what was reported that you were advocating at the luncheon—but you could not remember whose luncheon you had been invited to but we understand that it was the Securities Institute: you advocated, we understand, an ability for the States to have a fixed component in terms of being able to have access to and to levy a component above national income tax.

You talk about my not reading a document. I think that you are playing on words. I suspect that you should have a word to the boss because I do not think that your Premier and Leader is quite as understanding as you. If you want to quote something to me I am happy to quote something back to you. In this Committee yesterday, the Leader of the Opposition questioned the Premier on this issue, as I am trying to do in an attempt to work out where you stand on the issue: is it a GST? Is it an income tax? Yesterday, the Premier said:

Unless the States have a fixed share of Commonwealth revenues, we will see a continuing diminished disbursement to the States or disbursements to the States that set a Commonwealth Government's priorities, not a State Government's priorities.

The Hon. M.D. RANN: Is that income tax?

The Hon. J.W. Olsen: No, it is not.

The Hon. M.D. RANN: So, Rob Lucas was wrong last week, was he?

The Hon. J.W. Olsen: The Leader is quoting a newspaper report.

The Premier was backing away at a million miles an hour from this notion of States having the ability to levy or having access to a component of national income tax. Notwithstanding what your budget papers might indicate, perhaps you should ask the Premier to read documents during the luncheon break also. At the end of the day, you are not giving this Committee or the people of South Australia an open and honest position from the State Government on the eve of significant taxation reform. What is your preferred position?

The Hon. R.I. Lucas: The statements made by the Premier yesterday are broadly consistent with what I have just said and with what has been tabled in the budget documents. I refer again to paragraph .4, which I read to the member for Hart and which states:

South Australia would be prepared to abolish its most inefficient and damaging taxes in return for access to broad revenue bases, such as personal income tax.

As I indicated—

Mr Foley interjecting:

The Hon. R.I. Lucas: That is consistent. It is not inconsistent with that statement. I canvassed two options in my answer to the last question. For example, one option is that, without actually having a State income tax, you could have a guaranteed share of income tax revenue. If the Premier was of a mind not to support a State income tax, as such, and if that were the Government's position in the end, then there is an option which remains available, should the Commonwealth be prepared to offer it that is, namely, a guaranteed share of income tax revenue which the Commonwealth would collect and which would still be in its name.

There would be no designation that a component of it was for the State or Territory Governments, but that the Commonwealth would guarantee a fixed and ongoing share to the State and Territory Governments of that income tax revenue. That is one option. A second option also involves collection by the Commonwealth. I do not think anyone is suggesting that, in the Australian context, State Treasury would collect the State income tax. Certainly, the matter of whom I addressed in my speech last week seems to be a subject of some significance to the honourable member. The invitation—

Mr Foley interjecting:

The Hon. R.I. Lucas: No. The invitation, on my recollection, came from the Australian Business Economists, and that is why I was surprised that the press report refers to the Securities Institute. I had no correspondence or discussion with the Securities Institute at all before the speech. Anyway, that is a minor point but it seems to be of some significance to the member for Hart. I think that the Securities Institute might have been a sponsor because, speaking of banners, its banner was evident. There are two options: first, a State-based income tax which the Commonwealth tax office still collects, but a portion of which would clearly be designated as a State income tax.

The other option is that the Commonwealth still collects it and calls it a Commonwealth income tax, but that it guarantees a fixed share of the revenue to State and Territory Governments. Nothing that the Premier said in the *Hansard* yesterday is inconsistent with that particular answer. It is certainly not inconsistent with what is contained in paragraph .4 in the budget document. A range of options is open to the Government. As I said, once we see the colour of Treasurer Costello's eyes on this issue, we will be prepared to engage in sensible discussion with him.

Mr FOLEY: There are inconsistencies, and I suspect that you and the Premier need to have a closer discussion about these issues before you respectively go off and make public statements. At this luncheon the other day it was reported that you believed that States should have income tax discretion and that you should have an ability to have access to income tax powers. Indeed, I understand that you cited examples from the US and Canada where the second tiers of Governments have a shared access to the income tax base. That, of course, is consistent with this tax document which was leaked to us during the election campaign and which, of course, the Premier at the time said was an irrelevant document.

I will reiterate the comments made by the Premier yesterday, because you are saying that we need to have access to a fixed share of income tax and that our own taxing powers would be an option you would like to get your hands on. Yesterday, the Premier said:

I have indicated that they need to go and that the States must have a fixed share of Commonwealth revenues . . .

The Hon. M.D. RANN: Is that income tax?

The Hon. J.W. Olsen: No, it is not.

So, you and the Premier have very different understandings of where we stand on national taxation reform.

The Hon. R.I. Lucas: The Premier and the Treasurer are as one on this issue, as they are on virtually every other issue, including their football team. I can add nothing to the question. If the member for Hart wants he can continue to ask the same question in 46 different ways and I am happy to, on 46 different occasions, respond, but I cannot add anything more to my earlier response.

Mr SCALZI: I refer to page 84 of Estimates Statement, Budget Paper 3 and page 6-5 of Budget Statement, Budget Paper 2. Much has been said about giving incentives to exporters. Exports play an important role in forming a base for our economy. Could you outline what changes the Government has made to the exporters' payroll tax rebate scheme?

The Hon. R.I. Lucas: I am pleased to do so. It was one of the small changes that we made in the budget and, given all the other changes, I can understand why it gathered very little publicity at the time. Certainly from the horticulture industry viewpoint it is a significant issue. I know the honourable member's interest in this industry. Exporters of value-added goods and services can receive a rebate on their payroll tax, which is equivalent to 20 per cent of the tax paid in relation to the production of such exported goods and services. As from 1 July this year, the Government will relax the eligibility criteria for the rebate scheme in order to allow rebate claims from taxpayers who are exporting horticulture produce.

The eligibility criteria previously allowed claims from employers who produced value-added goods, which are defined as those goods manufactured, produced or processed in their final form in South Australia. We have now expanded that definition in response to a specific request from the South Australian Farmers Federation. As I understand it, that group is working with its own horticulture section and has been arguing for this change for some time. We have now changed that definition and expanded it, whereby the term 'processed' now includes the grading, packing or sorting of South Australian horticulture produce where the produce is required in a fresh form for final consumption by the export markets.

They are some potential examples of the beneficiaries of this initiative, assuming that they are liable for payroll tax. One must remember that, in the first place, there is an exemption level at \$456 000, which involves primarily our exporters of fresh fruit and vegetables, nuts, nursery products and cut flowers. I know that the member for Chaffey, who is a participant in this Estimates Committee, will be most interested in what is a significant initiative, from the Government's viewpoint, for important sections of our rural industries.

We believe that the cost of this initiative is relatively small compared to the total State Treasury take but it is an important issue. It is something for which the Farmers Federation has lobbied and to which we were pleased to agree. The reluctance in the past has been because as soon as you change the definition for one group a number of other groups come forward. Our mining and resource industries, in particular, want to argue the same case. Clearly, to extend the benefit to them would be at a significant cost to our State revenue, which would mean less money to spend on schools, hospitals and a range of other areas. This is a targeted expenditure; it is specifically designed to assist this group, and I know that

members will be delighted at this small but nevertheless important initiative.

Mr SCALZI: I know that that is welcomed by many of my constituents who are involved in the export of fruit and vegetable. I again refer to Estimates Statement page 84 and Budget Statement page 6.2. How successful has been the stamp duty rebate scheme for new home unit purchasers in the inner city area, important support that has been requested by many in the community to revitalise the city and increase the number of people living in the inner city?

The Hon. R.I. Lucas: The honourable member, with his extensive comprehensive networks in our multicultural groups and communities, would be aware of many people who are active in the building and construction industry and the development industry in the central business district. As he will know first-hand, they have been delighted with this initiative. This budget has extended that commitment, which is a stamp duty rebate up to a maximum of \$1 500 that was introduced in May 1995 on the first transfer of new residential strata title or community strata title home units in the inner city area, defined by North, South, East and West Terraces.

To be eligible for the rebate the sale must be the original sale of the unit by the developer and the unit must not have been rented, leased or occupied at any time prior to the sale. The scheme has been well subscribed to. In the period from 28 May 1995 to 15 April 1998, approximately three years, a total of 791 home unit sales in the inner city area attracted the rebate, at a total cost of \$820 000. I am told that the level of residential construction activity in the inner city area since the rebate has operated has been well above the levels of earlier years. Obviously, it has achieved its purpose.

We talked earlier about the definitional problem of the payroll tax exporter scheme: once you extend a benefit, there is an issue about whether you are prepared to extend it further. I know that some developers and people operating in the building and construction industry, perhaps constituents of members present, would like to see this benefit extended beyond the central business district, that is, to the whole metropolitan area or the whole of South Australia. In an ideal world it would be terrific, but it would be a significant cost to the State Treasury and would mean that we would need to reduce expenditure in education, health, police and a range of other areas, which we do not wish to do. There is a balance in these issues. It is a positive discrimination for the central business district in terms of trying to revitalise the CBD.

Mr SCALZI: Referring to Estimates Statement page 84, will the Treasurer please explain why the Government has decided to introduce a subsidy cap per producer on cellar door subsidies?

The Hon. R.I. Lucas: There is an important financial reason for this. It is important for the State Government not to have either a blank cheque or unlimited expenditure going out in any particular budget item, if we can help it. Therefore, we were pleased to be able to enter into discussions with the industry and prominent players therein to see whether or not we could introduce some sort of subsidy cap per producer on cellar door subsidies. For the benefit of members, liquor subsidies for cellar door wine sales have been a feature of our section 90 safety net arrangements put in place following the High Court decision to get rid of business franchise fees. The cellar door subsidy was intended to produce the same benefit to wine producers as they had previously obtained from the exemption of cellar door sales from State liquor franchise fees.

Since the cellar door exemption encompassed mail order sales, the subsidy also applied to mail order businesses. The previous exemption for mail order sales had attracted longstanding criticism from liquor wholesalers and retailers who considered that the mail order operations of one particular company received an unfair trading advantage; some competition issues were being raised. The size of that company's operations was such that it was estimated to account for close to half the estimated full year subsidy cost of \$12 million for cellar door wine sales. The decision to introduce a cap on the size of cellar door subsidies was taken in response to representations from the Managing Director of that company, the Managing Director of Mildara Blass, the new owner of Cellarmaster, Ray King.

Mr King approached the Government in February seeking a review of subsidies in order to restrict the availability of subsidy for mail order sales. Although the subsidy cap will apply to all producers, whether or not they are engaged in mail order sales, it is expected to impact only on Cellarmaster, the very big one. The level of the cap has been set sufficiently high to apply only to very large producers and mail order businesses. In coming to this arrangement it was important that we did not impact on small wineries that had small levels of cellar door sales or mail order business. The paperwork and those sorts of problems would then be an extra imposition in relation to their operations. The arrangement entered into has been positive discrimination, in effect, for those small wineries and businesses and, with the agreement of Cellarmasters' owners, will impact only on Cellarmaster business.

The decision has been motivated by the need for a level playing field, to which I earlier referred. As Treasurer, I would like to pay tribute to Ray King, the Managing Director of Mildara Blass, for having taken the initiative on this issue. Obviously, it was an issue for him and his company in the broader industry, and they took the initiative and the Government was prepared to see a three year phase-out period commencing 1 January 1999.

Mr FOLEY: The Treasurer noted earlier that his lead story for today was his willingness to be up front about the fees and consultancies paid for people involved with the sale of ETSA. He indicated that \$3.7 million will be spent this year and that \$8.5 million has been budgeted for the 1998-99 financial year. First, I would like to come to the communications budget. My old boss Geoff Anderson and Alex Kennedy are well known to many South Australians. The Treasurer noted that \$50 000 has been paid this financial year, although they have been contracted only for a brief time. What is the full contractual fee for this consultancy for the financial year 1998-99?

The Hon. R.I. Lucas: I indicated in my opening statement that in a full and open manner at the end of each financial year I will report on the actual expenditure of taxpayers' funding that the Government undertakes for each of our consultants in the electricity reform and sale process. That will include Business Development and Communication Network, the company contracted to undertake communications advice to the Government. Obviously, it will also include all the other consultants.

As I said, as far as is possible and sensible I am happy to provide information to the member for Hart. We have provided information on our actual expenditure for this year. We have provided aggregate information on an estimate for next year, but as I said in my opening statement there are a large number of factors which may impact both upwards and

downwards on that \$8.5 million estimate. We have been open enough to put out a figure of \$8.5 million. My initial view was that these variables were so changeable that it almost did not make too much sense to put a definite figure on it for the next 12 month period. Nevertheless, in the spirit of wanting to share as much information as we could, we provided a figure of \$8.5 million; but there is the heavy qualification that these factors might impact on the sale process, not the least of which is whether or not the legislation is supported by the member for Hart and other members of the Parliament in this coming two month period. This is just one of many factors which will impact on how much we might pay business, the development communication network company and any of our other consultants.

Mr FOLEY: It is clear that an answer as cute as that is not acceptable. The Government has learnt nothing from the water contract and its appalling handling of that contract in terms of keeping information hidden from the public of South Australia. If you have budgeted a figure of \$8.5 million for next year, you have an estimate of what the communications contract will cost this Government. The communications contract has been signed with that particular company with a fee in the contract. Clearly, you have signed up for a fee. It is being far too cute to suggest that at the end of every financial year you will tell us what that figure may be for the preceding 12 months. That is simply an opportunity to limit any political damage you may suffer. I simply ask the question again. You know the figure. What is the contractual figure for Geoff Anderson and Alex Kennedy? You told us that it is \$50 000 for this financial year. How much is that per week? Are we talking about \$10 000 per week? What is the contracted sum?

The Hon. R.I. Lucas: I have nothing more to add to the answer I gave to the previous question.

Mr FOLEY: Clearly, the Government has something to hide. You are embarrassed to tell the people how much Geoff Anderson, former chief of staff to John Bannon, and Alex Kennedy, former chief of staff to John Olsen, are being paid for this contract. It is a legitimate line of questioning by the Opposition to ascertain what moneys are being paid. You simply cannot get away with saying that you will not tell us for 12 months. We are debating the sale of ETSA. You owe it to the people of South Australia. What have you got to hide?

The Hon. R.I. Lucas: It is certainly not for me to suggest that this is a legitimate or an illegitimate form of questioning; that is a judgment for the member for Hart to make. I am not casting any doubts on the questions he asks; he can ask whatever question he wishes. As I indicated at the outset, the Government intends to provide this information as I think is sensible in terms of actually how much we spend in any particular year. It is an interesting prescription of the order of priorities of the honourable member. I can understand his sensitivity that his former boss, who knows a fair bit about much of what he undertook over a long time, is now working on this process.

I can understand the member for Hart's sensitivity which he identified in his question—it was certainly nothing that I identified. In a total of \$3.73 million it is interesting that the honourable member should be more concerned about \$50 000 of expenditure to the communications people, just because it involves his former boss, when the lead advisers have \$1 million and the three legal firms have been paid \$1.2 million over broadly the same timeframe. To be fair to both those groups, their appointments were probably for a

longer period than the appointment of the communications advisers, because that came later in the piece. The honourable member's sensitivity to this and his interest in \$50 000 in terms of orders of magnitude as opposed to \$1 million and \$1.2 million is an interesting statement of his own priorities.

Mr FOLEY: I am certainly not sensitive about Geoff Anderson. Good luck to him. I did battle with Geoff over the water contract. I look forward to doing battle with Geoff over the electricity process as I often had to do battle with Geoff when I worked for him. Doing battle with Geoff is something that is a feature of a relationship, and I am certainly not sensitive about anything I might have undertaken when he was my boss as I am sure he would not be sensitive about anything he undertook when he was my boss. You paid \$50 000 for this financial year. From when was that contract effective? I want to work out what was paid in this financial year. What was the date of operation of that contract?

The Hon. R.I. Lucas: I am happy to take that on notice and provide an answer before the end of the day. My guess is that it would have been some time in early May. I would have to check that for the honourable member.

Mr FOLEY: Was it \$50 000 for the month, or six weeks' work?

The Hon. R.I. Lucas: As I said, I will check that for you.

Mr FOLEY: That is what I am getting at: \$10 000 a week multiplied by 52 equates to a \$.5 million contract. Is that the magnitude of what we are talking about here?

The Hon. R.I. Lucas: I have been asked a question about when the contract started. I am happy to get that information. As I said, I might be able to get that information relatively quickly. My guess is that it would have been some time in early or mid May. The payment for the end of 30 June on that basis would be somewhere between six and eight weeks' expenditure. I am happy to get that information; I do not have it with me at the moment.

Mr FOLEY: You were just critical of me when you said that I am concentrating on a \$50 000 figure. Potentially, what we are talking about over a financial year is a figure upwards of \$.5 million. This is a huge contract that we are told did not go to tender. Given the political sensitivities of the people involved, the issue of a contract that could be worth upwards of \$.5 million being awarded without going to tender is a matter of great moment for this Parliament.

The Hon. R.I. Lucas: I am not confirming the figure as more than \$.5 million but, in the press speculation, that has come down at least by half, because Mr Foley and others were indicating to the media that this figure was about \$1 million. The press were running with a figure of \$1 million earlier. If Mr Foley has come down from \$1 million to \$.5 million, I welcome his suggestion.

Mr MEIER: It was my understanding that the Anti-Cancer Foundation put a recommendation forward to the Government for it to place a levy on tobacco suppliers. Is the Treasurer prepared to disclose to this Committee why a levy on tobacco suppliers was not introduced in the budget?

The Hon. R.I. Lucas: It is true that towards the end of the budget process a number of groups such as the Anti-Cancer Foundation and others approached not only me but a number of members of the Government, the Opposition and in particular the Democrats and the No Pokies Party to see whether we could institute in some way a State-based tobacco tax, fee or charge. We looked at it and we took some advice in relation to it. It is certainly a grey area. In the end, we acted out of an excess of caution in some respects. It was a grey area in terms of its legalities.

There was also a bit of a grey area in the end as to what the Commonwealth Government's attitude might have been. There had been a broad understanding. I do not know whether the i's were dotted and the t's crossed in terms of a written agreement. There was certainly a general understanding that, when the High Court made its decision on tobacco, alcohol and petrol franchise fees, and when the Commonwealth Government picked up the responsibility of reimbursing the States, the States would not then go down a path of having a further State fee or tax in the area.

I know that the Anti-Cancer Foundation and a number of groups had some legal advice that, at a particular level, they thought that might be appropriate. Ultimately, probably the best way to achieve it would be with the agreement of all the States and Territories and with the Commonwealth Government as well. Who knows—perhaps further down the track there might be an option in those sorts of circumstances, but at this stage, anyway, the State Government's position was to act cautiously in this area and to not strike out on its own in an endeavour to strike a State tobacco tax or fee which might end up in the courts with our having to argue whether or not it was constitutionally valid, and perhaps our having an argument with the Commonwealth Government about our total levels of reimbursements. For those reasons, we decided not to go ahead with the proposal.

Mr MEIER: In light of the current debate on national competition policy, I notice in the Estimates Statement that we have a significant amount of money under competition grants that should come to us. Will the Treasurer outline the basis of those competition payments and the risks the State faces if the Commonwealth decided to renege, or does the State have to adhere to certain conditions to receive those competition payments?

The Hon. R.I. Lucas: As to the total amount of money that is potentially at risk for South Australia, Graham Samuel talks about a figure of up to \$16 billion nationally, but for South Australia it is just over \$1 billion over this eight year period leading through to 2005-2006. It includes two components: one strictly called competition payments, but it also includes—and as a new Treasurer I admit it is a bit rough—the growth parts of our FAGs (Financial Assistance Grants)—

Mr Foley interjecting:

The Hon. R.I. Lucas: All the States and Territories have signed off on it. There is clearly a solid argument for having competition payments, something new and additional, being contingent on progress against the competition principles. We have had right from the start not only that component but also the growth component of our Financial Assistance Grants. In some years, the figure reaches over \$200 million which is potentially at risk for South Australia. All members have obviously been through the budget papers and have seen how difficult it is for a small State like South Australia to generate \$200 million, or a component of that, say \$100 million. The 4.5 per cent increases in fees and charges that we talked about, which some people opposed, equates to about \$20 million to \$22 million in that component. That is the order of magnitude that we are talking about.

Some of the other individual tax increases that we have announced have been of a much smaller size than up to \$200 million a year. Even if only 25 per cent or 50 per cent of that were at risk, it is an enormous sum of money for a small State budget like our own to potentially have at risk as part of this process. So, it is important that we get all of that money, because our budget documents are predicated on the

basis that we get the money. If we do lose anything as a result of this process, that is a net hit to the budget, and the State Government would then have to either reduce expenditure further or raise additional State based revenue itself. They are really the options open to us if we do not get those competition payments. We have factored them in. They are important and we cannot afford to lose them.

The Premier has certainly made statements in recent times in relation to the Casino and the attitude of the Chair of the NCC (National Competition Council) in particular about casinos. There have been ongoing discussions about that, the view being from the pure competition principle viewpoint that something that says there shall be only one casino is seen by some people as being potentially anti-competitive, and we should therefore allow another casino or the opportunity for another casino in South Australia. The Premier's view, and that of others, is that this is a decision that Parliament votes on, and there are important social policy issues that need to be considered in relation to the number of casinos that we might support.

The Chair of the National Competition Council, Mr Samuel, made a well-publicised intervention recently in our shop trading hours debate. I know that he has a fairly strong view, from what he said publicly on that occasion, about competition payments and shop trading hours. The media pursued him on this issue and he basically put down a position—I do not think it is a formally concluded NCC view yet, but it is an indication of how he is thinking—that there needed to be liberalisation of trading laws. When he was asked, 'What happens if it does not occur?' he had a fairly strong view. Even if the Government of the day, whoever that might be, sought to do something which he supported, that is, introduce liberalisation of shop trading hours, but the Parliament stopped it, he still believed from his viewpoint that that was an issue that the National Competition Council would want to take into account. Potentially—and the Government has not concluded a view on shop trading hours—

Mr Foley interjecting:

The CHAIRMAN: Order!

The Hon. R.I. Lucas: The member for Hart flatters himself by believing he knows what the Government's position is on shop trading hours and other areas.

Mr Foley interjecting:

The CHAIRMAN: Order! The member for Hart can ask a question later.

The Hon. R.I. Lucas: He speaks from a position of ignorance in relation to this issue. If members want to ignore the risks, as some did when they were warned about the State Bank and other things, it is for them to make that judgment. All I can do is share what we and the media were told by the Chair of the National Competition Council about shop trading hours. He made it clear—these are not my words—that this would be an issue for them, and that even if a Government sought to do what he might agree with, if the Parliament—through the Labor Party and the Democrats—stopped that, then the issue of the national competition payments would be one for them, and they would certainly be recommending that there be reductions. When he was asked how you might calculate what a penalty might be, he ventured an opinion that it might be some sort of measure of the extent of the dollar disadvantage for those who had been, as he put it, locked out of being able to compete at the times when they wanted to compete.

An honourable member interjecting:

The Hon. R.I. Lucas: He did not mention any names, but he believed that they would be able to estimate the dollar disadvantage to people who were locked out of trading and that perhaps that would be an option that the NCC would look at in terms of reducing our competition payments. We do not want to see our competition payments reduced but, if we lose \$25 million a year, or whatever it might be, as a result of any decision we take—and I only highlight those two—it is a net hit to our budget and we would then have to either increase revenue or reduce expenditure to meet that. In those cases, it is entirely a decision for the Parliament, but when it makes those decisions it will need to do so in the full knowledge of what Graham Samuel and others have warned us about. If they choose to ignore the warnings, so be it: there is not much that I as Treasurer will be able to do about it.

Mr MEIER: I take it that the national competition policy, which was signed between the then Keating Government and the then Bannon Government in about 1991, has reached the stage where, if this State does not introduce another Casino or—

Mr FOLEY: It was signed off by Brown.

The CHAIRMAN: Order!

Mr MEIER:—I am just putting it to the Treasurer: I am sure he will inform the Committee correctly—if it does not have more flexible shopping hours, we could be penalised in terms of millions of dollars in the so-called competition payments.

The Hon. R.I. Lucas: To be fair in relation to all this, Governments of all persuasions, both State and Federal, have been part of this process. It is true to say that Labor Governments, both State and Federal, started the process and it is true to say that Liberal Governments, both State and Federal, have followed it through. Certainly, I am not seeking to make a Party-political point in relation to this issue. The question from the honourable member is properly—irrespective of Party politics—what might be the impact. As I said, some progress has been made on casinos, and we hope that may well mean that what might have been previous positions have been modified a bit.

However, I use those as examples to say that the NCC is making it quite clear that it thinks that some people in the community—it did not mention who, but people such as the member for Hart—believe that there will be no impact in relation to all these issues. I think that it is being egged on by these people saying, 'It will not do anything. It will never happen'. I think that is playing into its hands a bit, which is unfortunate, because the NCC—sooner rather than later, I suspect—may want to demonstrate that it is not a tiger without teeth and for some State or Territory may well recommend that there be a reduction. What the order of magnitude might be I do not know, but the more it is egged on by the view that this will never happen and nothing is at risk, the more it is likely to say, 'We hear what is being said around the place; we will show that we mean it when we say it.' Whether it relates to those issues or any others, the bottom line is that we have significant sums of money at risk, and we ignore that risk at our peril.

Mr FOLEY: I suppose I will take it as flattery that the Premier—a Freudian slip—the Treasurer is so concerned about Opposition questions that he takes 20 minutes to answer three questions of a Dorothy Dix nature from his own side but, I suppose, we have to waste time in such a process. I say at the outset that my comment about shopping hours was simply this: how can the Treasurer honestly keep a straight face when he says that Peter Costello would not sign

off competition payments to this State because we did not fully deregulate our shopping hours, particularly given the events of the last week in Queensland? It is absolute nonsense. At the end of the day, politicians have control over the National Competition Council. Having said that, I believe that we have to meet obligations under national competition policy. We must take appropriate measures to put in place competition policy: there is no argument about that from the Opposition.

In terms of some of these more specific threats from Samuel on issues such as casinos, which, obviously, has a community interest element, and shopping hours, there is just no way Peter Costello would allow a State to be deprived of \$50 million simply because we did not fully deregulate our shopping hours. The politics of the issue is just obvious.

I refer to the black hole. You have threatened the people of South Australia with a mini budget in October if we do not accept the sale of ETSA in this Parliament. In a debate we had on a TV network the night of the budget, the Treasurer was at a loss to show me where in the documents such a black hole appeared. I now refer the Treasurer to the Reconciliation Statement, page 213. It was not until midway through the next day that the Premier had to come to the Treasurer's assistance and point to a thing called the Reconciliation Statement.

As we know, the Reconciliation Statement is a table designed to update this budget in terms of changes from previous budgets. There is no mention in that document of any issues relating to the sale of ETSA. Having said that, the Premier has since said that there is not a black hole in the budget. Why are you continuing to threaten the people of South Australia with \$150 million worth of new taxes when, on your own admission or lack of evidence, you have not been able to demonstrate where this budget is \$150 million short?

The Hon. R.I. Lucas: First, I respond to the comments made by the honourable member when he referred to dorothy dixers. I must admit that I thought most of the questions that the honourable member has delivered today have been dorothy dixers, such as has been the ineffectiveness of the questions. I welcome a continuation of his questioning, certainly if it is along the lines that he has offered us this morning. I will not further respond to his other comments in relation to the NCC, the Casino and trading hours other than to say again—and this seems to be a weakness of the honourable member's—he misstates what I said in the response to the earlier question. I refer the honourable member to *Hansard*. I did not say anything about total deregulation of trading hours: I talked about liberalisation of trading hours.

It seems to be a common theme for the honourable member when introducing his questions to misquote and misrepresent what I said in response to an earlier question and claim that I said 'total deregulation' when in fact—and I ask the honourable member to check *Hansard* again, because this is the second or third time when he has not been able to remember exactly what I said—I referred to liberalisation. I am not saying that we have to have total deregulation: I am saying that liberalisation was the issue that was raised with me. Again, I refer the honourable member to *Hansard*. It is fairly easy to listen to the answer rather than go off to get another question from somewhere else. I suggest that the honourable member should do that. It would be a much more productive Estimates Committee if he engaged in it in that a way.

In answer to the honourable member's question, I point out it is not table 2.13: it is table 2.5. That is the Reconciliation Statement—Underlying Deficit, Non Commercial Sector, and it is quite explicit in the note to the table that the above estimates are net of any premiums on asset sales.

Mr Foley interjecting:

The Hon. R.I. Lucas: The shadow Treasurer struggles to understand: he asks, 'What does that mean?' Let me try to assist the shadow Treasurer. If he is struggling to understand it, I will endeavour to assist him in that process. The shadow Treasurer and indeed people within the media have been trying to put a point of view that the Government should have put in its budget papers a line which had the asset sales premium. I have indicated publicly on a number of occasions, and I do so again today, that we were not and are not prepared to do that. The simple reason that we are not prepared to do it is that we are not prepared to indicate in our budget documents the ballpark figure of what we expect to receive from the sale of our assets and over a particular period of time.

We have consistently refused to speculate about the eventual price of the assets. Indeed, the furthest I have gone is to say that we are not prepared to speculate, that there has been wide-ranging media comment in the *Financial Review* and by other commentators who have variously estimated the assets anywhere from \$4 billion to \$6 billion in total, but that the Government does not endorse any of those estimates and has not released any of its own estimates. We are not going to release in our budget papers or in response to questions to the Premier or to me the estimates of what we expect to get in terms of the sale value of our assets.

As I have explained on a number of occasions and as I am happy to do again for the edification of the shadow Treasurer, the simple fact is that there is clearly an important impact in terms of our budget on our State debt with whatever we get from the sale of ETSA and Optima. Whether that is \$4 billion, \$5 billion, \$6 billion or \$7 billion, our \$7.4 billion State debt will be significantly reduced and, clearly, it would be our hope that not too soon after that the credit rating agencies Standard and Poor's and Moody's would see fit to significantly upgrade our credit rating again, so that this State could proudly regain the AAA credit rating that it had before the State Bank disaster.

That is the debt side of it. The second issue is that of the asset sales premium. There is a clear benefit to the budget bottom line in interest savings, when we compare the interest savings that we are going to make on the sale value and what we are currently getting, and what one might sensibly expect to get in the future from ETSA and Optima by way of dividends and tax payments as a tax stream when they compete in the cutthroat national electricity market. It is a complicated calculation because there is a whole range of estimates, but there are just two issues, broadly, that have to be offset in terms of looking at the asset sales premium. It is a fairly simple concept to understand, that is, we do a calculation as to what we expect to get from dividends and income stream flow from ETSA and Optima in a cutthroat national electricity market and we compare it with what we will be able to save in terms of interest rate payments. Our net interest rate bill is \$728 million this coming year, so \$2 million a day—

Mr Foley interjecting:

The Hon. R.I. Lucas: Mr Chairman, I am trying to help the member for Hart.

Mr Foley interjecting:

The CHAIRMAN: Order!

The Hon. R.I. Lucas: We do a simple calculation in terms of the offset of the savings on interest and what we have lost in the income flow, and depending on the sales value, what we get is up to \$150 million a year by the end of this four year financial plan in bottom line benefit to the budget. That is the \$150 million. That is where it comes from. It is in the budget, netted off against the outlays. The member for Hart might want to damage our sales process because he does not want to see us get a good price for these assets. If we cannot get up to \$150 million from this, we will have to increase taxes or we will have to cut education, police and health, and that is what he wants.

Mr Foley interjecting:

The CHAIRMAN: Order!

The Hon. R.I. Lucas: The member for Hart will have to put up his hand. If he votes 'No' to the sale of ETSA and Optima, for once in his life he will have to put up his hand and vote 'Yes' to up to \$150 million worth of tax and revenue increases or up to \$150 million of cuts to police, nurses and teachers. It will be a simple issue and for the first time the shadow Treasurer will have to front up and be responsible for that particular decision.

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

Mr FOLEY: I would like to take the opportunity of asking a couple of questions without the Treasurer's advisers, but that would probably be a little unfair.

The CHAIRMAN: We are continuing on all of the lines. If the honourable member remembers correctly, we opened it all up.

Mr FOLEY: No, I thought we had—

An honourable member interjecting:

The CHAIRMAN: On the timetable, all right.

Mr FOLEY: Am I allowed to go on with the other issues, or does the Treasurer want to proceed to asset management?

The Hon. R.I. Lucas: I am relaxed. The timetable has SAAMC, but we will keep going just for the honourable member.

Mr FOLEY: We might pursue that, because there are some other issues that I had not completed and about which I have some questions. I do not have a lot of questions on asset management. I will wait for Mr Bradley to give the Treasurer some advice on this. It is interesting to note the increase in payroll tax over the four year budget cycle that has been put in place. I note in the table that the four year estimates for payroll tax sees payroll tax rising to a figure of about \$650 million, I believe, from memory, which is quite a substantial jump. This is not a trick question; I just want the Treasurer to help me work it through. Given that employment growth is forecast to be very small, can he explain how his forecasted payroll could grow by, on some estimations, as much as 20 per cent? Is that some form of bracket creep?

The Hon. R.I. Lucas: It is a significant increase over the four years, and it is broadly comprised of about three factors: first, the employment growth; secondly, wages growth; and, thirdly, the impact of the 1 per cent increase in the superannuation guarantee levy, because that of course increases payrolls as well. So, you have there employment growth but also, in effect, wage cost growth. Of course, payroll tax is worked out on the total wage cost, and if one is maintaining the exemption level at the level about which we are talking, clearly one will recoup significant increases in payroll tax, which we obviously need.

Mr FOLEY: I accept the answer; it seems an obvious one. But is that sort of increase abnormal? Obviously, some of those factors have not applied historically. I just wonder how the Treasurer might explain that one to his Federal colleagues if payroll tax is ever taken into account, in terms of adjustments with national taxation reform. It seems to be such a substantial jump.

The Hon. R.I. Lucas: If one looks at earnings growth, in the past few years at the national level, wages and salaries have been about 4 per cent. In recent history, employment growth factors have been up and down, obviously, but we have seen in previous years growth factors greater than 1 per cent, as the honourable member would have seen in certain years. If one adds that, clearly those sorts of factors would have been filtering through. The superannuation guarantee levy has been factoring in (and I am guessing now) for four or five years. So, when you look back at those three constituent parts, each of those would have been operating on our base. The only other factor that might have changed in previous years, which we are not planning on, is lifting the exemption level, the \$456 000. In previous years, Governments, both Labor and Liberal, have increased that exemption level, which obviously impacts upon your collections.

Mr FOLEY: I thank the Treasurer for his answer. I am not doubting the figures—it is just that jump in excess of 20 per cent in four years. I hope he is right.

The Hon. R.I. Lucas: When you say 20 to 25 per cent, whatever it is, over four years, it is averaging out at 4 to 6 per cent per year. If there is, for example, 1 to 1½ per cent employment growth, and if there is, for example, 3 or 4 per cent earnings growth, it does not take much to get, on average, around 5 or 6 per cent in terms of payroll tax growth. If you then throw in the superannuation guarantee levies (and there are two of them), which are 1 per cent, and if you look at that order of magnitude, it does not take very long to get to the figure which might, on the surface, appear surprising, but when you look at the constituent parts, is not really.

Mr MEIER: Will the Treasurer advise whether the South Australian Asset Management Corporation is expected to make a profit this year and, if so, whether he has an estimate on that possible profit?

The Hon. R.I. Lucas: The Asset Management Corporation has advised that it expects to make about \$160 million profit for 1997-98. Of this profit, \$116 million has been derived from the external auditor's litigation settlement, gross settlement \$120 million, but \$4 million was distributed to other bank syndicate members as per a pre-existing agreement. The additional \$44 million profit is estimated to be derived from three broad areas: SAAMC, Treasury investment bonds and other liquid assets, \$15 million; legal settlements and salvage operations of accounts previously written off at \$15 million; and miscellaneous small residual recoveries at \$14 million. As at the end of April 1998, SAAMC's total assets were \$2.6 billion, with liabilities of \$2.3 billion; therefore, total shareholder funds were in excess of \$320 million, represented by liquid investments now.

Mr MEIER: I believe that SAAMC has been making profits since 1994: can the Treasurer tell this Committee what happens to those profits?

The Hon. R.I. Lucas: SAAMC has reported the following profits: in 1995, \$66.8 million; in 1996, \$72.1 million; and in 1997, \$77.1 million. The 1998 estimated profit is \$160 million, which gives a total of \$376 million. In terms of dividends that SAAMC has paid to the Government, which

has obviously been important during this period, in 1995 it was \$65 million; in 1997, \$111 million; and in June 1998 we will have a payment of \$161 million, which gives a total of \$337 million. The balance sheet of SAAMC, after that June 1998 payment of \$161 million, will still have net shareholder funds in excess of \$165 million.

Mr MEIER: Is the Treasurer able to identify what assets SAAMC is carrying on its balance sheet and how those assets are protected against value erosion?

The Hon. R.I. Lucas: SAAMC's assets are broadly classified in the following five categories: loans to SAFA, which are investments in South Australian Government paper of \$930 million; loans to Australian banks, \$320 million; off-shore bonds investments hedging SAAMC's liabilities overseas at \$740 million; on-shore bonds, \$560 million; and overnight cash and other investments, which gives a total of \$2.632 billion.

SAAMC's investments are monitored by both SAFA and external merchant banking professionals, with controls in place hedging both exchange and other market risks. The hedges are such that recent volatility in the local and overseas currency markets have had no impact on SAAMC's investments.

Mr FOLEY: I raise the issue of the EDS building that is presently under construction on North Terrace. As a member of Cabinet, Treasurer, you would be aware that the Government signed a 15 year head lease on that 11 storey building. I understand that the contract with Hansen Yuncken is under separate audit investigation given that Hansen Yuncken was given the contract and that it was not an open tendering process. However, I am concerned with the issue of the cost to taxpayers. As you would recall, your Cabinet decided to give a 15 year head lease on this building, with a no abatement clause and a built in 4 per cent cost escalator for rentals and the cost of fit-outs. From memory, I think that the total rental cost is over \$320 per square metre, making it the most expensive office space in Adelaide.

When I drive past the site each morning on my way to work I notice that the sign still states that the building is 40 per cent leased, with an option of 20 per cent (which is clearly EDS plus its option), and the balance of the floor space is vacant. Treasury estimates at the time a leaked Cabinet submission was given to the Opposition put exposure in excess of \$30 million. What is the current Treasury estimate of taxpayer exposure, and what are the likely losses in this financial year on that building?

The Hon. R.I. Lucas: I would need to take that question on notice. I do not have with me any details about the EDS building and its lease. I am happy to comply with the Committee's general requirements and bring back a reply to the Committee.

Mr FOLEY: What is the budget's provisioning this year for top up for agencies? I take it that Treasury would still be continuing to top up agencies and, if so, can you give the Committee some indication as to the savings that have been generated in this financial year in terms of the EDS computer contract?

The Hon. R.I. Lucas: I am reliably advised that we are not budgeting for any top up for agencies in the coming financial year 1998-99. In terms of savings, we would need to have a discussion with the relevant central agency. I presume that the same question is likely to be asked of the responsible Minister, but I would be happy to bring back a response to the Committee.

Mr FOLEY: I appreciate that and I will certainly put that question to the appropriate Minister. I suppose I consider that the appropriate Minister would have—how can I put it kindly—a vested interest in the answer as, no doubt, the Government has. I would be keen to hear Treasury's view because we have been told that it is saving us so many millions of dollars. I would be keen to see that quantified, if it is at all possible.

The Hon. R.I. Lucas: The response would be delivered only after consultation between officers attached to that agency and Treasury officers. It would be a joint effort. I will take advice as to whether the responsibility lies with me or the Minister for Administrative Services and Information Services to bring back a reply to this Committee. I will take advice as to who is meant to do that. Clearly, there would be work between the agencies to determine what information might be provided.

Mr FOLEY: I raise another issue in relation to the Hindmarsh Soccer Stadium. I appreciate that the Treasurer has probably not had an opportunity to see the final report, but this afternoon a clause in the memorandum of understanding between the Government and SOCOG has been brought to my attention which, on my initial reading, causes me great alarm. I will read it to you, acknowledging that you may not be aware of it. Under the heading 'Contractual arrangements', section 2.1 states:

The Public Works Committee was recently provided with extracts from the memo of understanding between the State of South Australia and SOCOG dated 10 September 1997.

The report further states:

Subclause 11.7 contains an agreement by the State that the State shall in good faith consider whether goods, services or materials manufactured or distributed by sponsors of the Olympic Games are to be used in the construction, fit-out or alteration of Hindmarsh Stadium. SOCOG acknowledges that the State may be unable to come to satisfactory arrangements with any such sponsor. If the State accepts any such 'value in kind' goods, services or materials, then the State agrees it shall reimburse SOCOG for the value of those goods, services and materials supplied less a 15 per cent handling fee.

The report further states:

The committee believes that this clause is in direct conflict with earlier statements.

That clause gives me great alarm, as it should to anyone in Government, as it relates to two areas: first, the potential liability to the State—the actual costs above what should be appropriate to the building of the stadium; and, secondly, issues of probity in terms of how one properly tenders for a project with issues of sponsors getting some sort of privileged access. I accept that that may be an issue the Auditor-General would need to take up, and I will be asking him to investigate that matter. I am not dropping this on the Treasurer to make a point, except to ask whether officers of Treasury could provide advice to this Committee as to what additional financial liability may be incurred by the State due to that clause.

The Hon. R.I. Lucas: Not having seen the clause, the report, or anything else, I can only say that I would need to look at the report to see what information, if any, would be appropriate for me and Treasury officers to provide to the Committee. The honourable member has acknowledged that it is not part of our budget documents and therefore not part of this process. It is certainly not something that I have seen given that, evidently, it has only just been tabled. I am not in a position to offer any other comment other than to say that I will look at it to see whether there is anything about which

it is appropriate for us to comment in terms of a response to the Committee. I would not want to make any undertaking at this stage given that I have not seen the report or the context within which this particular clause is being quoted.

Mr FOLEY: As I said from the outset, I am not expecting you to understand the clause. Whilst the report was dropped today, this document was signed nearly two years ago, in terms of the memo of understanding between the Government and SOCOG. It is relevant to this budget process because capital works will be expended in this budget on the construction of the stadium. I get very nervous, particularly given the Auditor-General's earlier comments about some of these sponsorship deals relating to the first stage of the redevelopment. I must say that this whole arrangement looks awfully questionable at times, notwithstanding the role of SOCOG. I would just ask whether we could have a report on any additional financial cost to the taxpayer due to this clause. That is a reasonable request. If there is none, well, there is none.

The Hon. R.I. Lucas: I cannot sensibly add anything more to the response to the first question.

Mr MEIER: From time to time when accidents, wilful damage or even, I guess, catastrophes happen to Government property, constituents have asked me how Government deals with insurance. Could the Treasurer comment on the Government insurance program, and, specifically, indicate whether the Government's catastrophe reinsurance program was successfully renewed last year?

The Hon. R.I. Lucas: This whole area of insurance and reinsurance is complicated. I must admit that having been involved in some briefings as the new Treasurer it is certainly a very complex and complicated area in terms of how we try to protect ourselves and our assets. The simple answer is that the Government's catastrophe reinsurance program was successfully renewed last year. I am told that it was first effected in 1991 in the international insurance market and has been successfully renewed each year since then. Its maintenance is now the responsibility of SAICORP.

When the program was first effected it consisted of two components: a property component and a public and products liability component. That has now been extended. During the renewal programs there have been ongoing discussions about how that might be extended to cover a variety of other circumstances. I am told that it now covers six major components: property and business interruption, public and products liability, professional indemnity and directors' and officers' liability, medical malpractice, forestry, growing timber and aviation liability.

I am told that the professional indemnity and directors and officers liability component was added to the program at the renewal last year. All the components of the program, with the exception of the aviation liability component, were placed for three years at the last renewal. There was an annual premium saving of more than \$1 million at the last renewal, which is an impressive effort and a credit to the officers involved. The current annual net cost of the program is \$5.3 million. It is a significant cost for us, even though that premium saving of more than \$1 million was achieved. It is an extraordinarily complex area but one in which we have achieved some savings, although it continues to cost us a fair bit.

Mr MEIER: The Treasurer mentioned SACORP in his answer. In relation to risk management standards and practices across Government, how has SACORP assisted or been involved in the improvement process?

The Hon. R.I. Lucas: Back in 1995 SACORP initiated the signing of a risk management policy statement by the then Treasurer. As the name would suggest, that sets out a policy on the management of risks, which made chief executives accountable to their Ministers for the implementation of risk management standards and practices. It is probably informative to note that the Auditor-General in recent years, particularly in last year's Report, commented pretty widely on the whole issue and the importance of risk management in the public sector generally.

SACORP promoted and promulgated this policy through a three stage risk management education and training program delivered to all chief executives, senior managers and risk managers across the public sector. It also sponsored some risk management seminars, conducted generally by consultants. SACORP has coordinated the establishment of a Government risk management forum and is represented on the Chapter Executive, Association of Risk and Insurance Managers Australasia, so it is obviously involved in a wide range of fora that enable these sorts of issues to be discussed and, obviously, also for information from our own viewpoint in terms of best practice to be pursued. There is a range of other activities, with which I do not need to take up the time of the Committee.

In summary, SACORP also maintains the Government's figtree claims and risk management system that is used to capture and record information about claims and incidents across all agencies within a single centralised database. Several major agencies have on-line access and data entry to the system. As well as providing financial information about known claims, this system provides a range of statistical information that can be used to identify risk exposures and improve risk management practices within agencies and across the Government.

Mr MEIER: As the Treasurer is well aware, one of the policies that has helped the rural sector in the past few years is the exemption of stamp duty on intergenerational transfers for farms. Many of my constituents have benefited as a result. Will the Treasurer inform the Committee of the success of this stamp duty exemption for farmers?

The Hon. R.I. Lucas: I am happy to do that. The scheme commenced, as the honourable member indicated, in May 1994. It was part of the policy commitment that the then Liberal Opposition took to the 1993 election. It was implemented soon after May 1994 and, with some minor amendments that were introduced in April 1996, continues to operate. From its inception in June 1994 through to the latest figures at the end of May 1998, 5093 family farm transfers have received the benefit of the exemption at an estimated cost to revenue of \$48.9 million. Had the exemption not been available, a significant number of family farm transfers would not have taken place. For this current financial year up to 31 May 1998, 1 082 family farm transfers received the benefit of this exemption.

Mr Foley interjecting:

The Hon. R.I. Lucas: I note the interjection. The important point is that many of these transfers would not occur and were not occurring, I think the member for Goyder would agree.

Mr FOLEY: So?

The Hon. R.I. Lucas: The member for Hart says 'So?' The clear implication is that the Labor Party will remove intergenerational transfers—

Mr Foley interjecting:

The Hon. R.I. Lucas: I am not sure what the member for Hart said, but it appears that the Labor Party would be looking at removing this. It is important for the members for Goyder and Chaffey and others in country communities to know that this Government has maintained this, even in difficult financial circumstances, but the shadow Treasurer is clearly signalling that it is on the chopping block.

Mr MEIER: As a supplementary question, the Treasurer made it very clear that in this and many other policies the Government acknowledges that South Australia does not stop at Gepps Cross. As rural members, we well know that and can easily see the difference in the past four years compared to previous years. Is it possible for the Treasurer to have figures available identifying the number of farmers in specific electorates or at least in specific areas? Can they be made available?

The Hon. R.I. Lucas: We will take that on notice. I have not seen figures broken down into regions or areas, but it might be possible. We would not want to identify an individual person, and I am sure the honourable member is not requesting that. It might be possible to get a broad breakdown that would identify, say, the Mid-North, Eyre Peninsula, the Riverland and those sorts of areas to highlight the value of this. I keep stressing that all the advice I got from the previous Treasurer and others, as well as from many rural members, is that many of these transfers were just not occurring because of the costs involved. There is not a magic figure there that the Government will be able to capture by the removal of the benefit; it will just close up again, as it did before, in terms of what is a sensible, positive discrimination benefit for farming communities.

Mr FOLEY: Please, Treasurer, do not be left with any uncertainty about my position: I think it is extremely discriminatory and it will be one on a list of a number of issues that I will be looking at come the next State election. I do not see why a farming family should get a benefit that small business people do not get. What is the difference between a family farming business and someone passing assets, businesses or suburban properties, or whatever?

Members interjecting:

Mr FOLEY: It is an interesting philosophical debate.

The CHAIRMAN: Order! There is not a debate between sides on this occasion. The question is for the Treasurer.

Mr FOLEY: He rudely interjected.

The CHAIRMAN: The question is for the Treasurer to answer.

Mr FOLEY: Thank you, but I am quite happy to make that very clear.

Mr MEIER: You would abolish it.

Mr FOLEY: I didn't say that we would abolish it. I would look very closely at abolishing it. But that would be a decision for another day. I am not sure why a small business should not get the same benefit. That is the problem when you start giving these taxation holidays: you do discriminate, as you do now with payroll tax deductions and payroll tax holidays to some businesses here in Adelaide that you do not give to others. It is a very slippery slope once you get on it.

The Hon. R.I. Lucas: Like concessions.

Mr FOLEY: Sure. That was just an aside. I want to ask a question about the Government's commitment to a mobile communications network: the much vaunted reason for the property tax, the 'poll tax' as the member for Colton referred to it this morning, which the Treasurer will be imposing unless he has a revolt inside his Party over the next few weeks, which is always a possibility.

I understand that the mobile telephone system project will cost the State upwards of \$134 million. We have had a bit of trouble getting answers from any of the Treasurer's ministerial colleagues, who all seem to want to pass up that question. Will the Treasurer advise the House, as it is in his budget as a substantial issue, what the value of that contract is and how much will be spent this financial year?

The Hon. R.I. Lucas: No, we cannot, because it has not yet been let. We are down to a short list process of finalising how we might do it and who might get it. It will only be when we conclude that process that we will be able to say that this is exactly the figure. The ballpark figure which we have used publicly is anywhere between \$150 million and \$200 million for the eventual cost of all this. It will depend on a couple of things: first, who is successful and, therefore, their successful tender price; and, secondly, the mechanism for payment or purchase. Will we buy it up-front and own it, or will we lease it? The Government has not made a decision at this stage in terms of whether we lease it or purchase it.

As I said, we are going through a process in terms of evaluating which company or firm will be successful with the tender price. It is not surprising that a number of my colleagues have not put a figure on it, because there is no figure to put on it yet. We can talk about ballpark figures. The honourable member has mentioned \$130 million. It could be anywhere from there to almost \$200 million, depending on what we decide to purchase, who is successful and whether we lease or purchase.

Mr FOLEY: I am not sure whether or not you are confused, but I thought the contract had been awarded to Motorola. I assume we are talking about the Starling project? I may be wrong and I am happy to be corrected, but I am referring to reports now a number of years old where Ray Dundon, the then head of the department involved, said that the contract had been awarded to Motorola and that that nod and a wink was part of the incentive package given to Motorola when it set up its operation at Technology Park.

The Hon. R.I. Lucas: What we are talking about is the total cost of towers, linking those towers and the mobile radios. The Motorola bid is a section of it, but the bid we are going through is short listed and involves other companies. Ultimately, we are talking about linking those 100 communication towers. I am not an expert in this area—and I assume a series of questions would have been put to the Emergency Services Minister—but we are talking about a major network which links South Australia. There are about 100 towers, links between them, the mobile radios and a whole range of other equipment as part of the total communications network. The honourable member is referring to one part of that—it is not insignificant—which is the mobile radios, or whatever is the correct phrase for that.

Mr FOLEY: Advice that had been given previously was that at least \$134 million of that contract was awarded to Motorola. I acknowledge that there might be some contractors involved in erecting a few towers.

The Hon. R.I. Lucas: I cannot confirm a figure of \$134 million.

Mr FOLEY: But does Motorola have the contract?

The Hon. R.I. Lucas: I cannot confirm a figure of \$134 million. As I said, we are not the resident world experts on communication networks, but Motorola will be involved as part of this total communications contract. If the honourable member wants detail on the size of its involvement and so on, I will have to take the question on notice. I do not have direct knowledge of that. I have not been involved at any

stage in the discussions with Motorola either as a previous Minister or as the current Treasurer.

Mr FOLEY: Can you confirm that Motorola has the contract, that it was awarded the contract without a public tender process and that, in fact, it was awarded that contract as part of an earlier incentive package to build its facility at Technology Park? Again, that is an important issue of process and one that you will find the Auditor-General has some concerns about.

The Hon. R.I. Lucas: I am happy to take questions on notice. In respect of the discussions with Motorola, what date are you referring to in terms of Ray Dundon?

Mr FOLEY: Back in 1995. We are talking about something from three years ago.

The Hon. R.I. Lucas: I would have thought that if the Auditor-General had some concerns he might have raised them already.

Mr FOLEY: He has.

The Hon. R.I. Lucas: Well, they have not been explicit enough for me as the new Treasurer to have them land on my desk. Perhaps they are with some other Minister at the moment. From that press report to which the honourable member has referred, they have been there since 1995. I was not involved in 1995 and have not been involved in recent times. I am happy to take advice on it and provide whatever information I can, other than saying that Motorola will be involved as part of this total communications network. Whether or not it is in exactly the same form as that mentioned by Mr Dundon, I do not know; I will have to check that.

Mr MEIER: How do SAFA's borrowing margins compare with those of other Australian Government issuers?

The Hon. R.I. Lucas: Over the past few years, SAFA's borrowing margins relative to other Government issuers in Australia have continued to improve as financial markets focus on the Government's record of fiscal restraint, its assets sales program and the consequent debt retirement strategy which gave rise to markedly lower borrowing programs. The yield margin on SAFA's 2003 benchmark stock has decreased to around 20 to 25 basis points above the comparable Commonwealth bond in secondary market trading, as against a high of over 100 basis points in 1992. Put simply, SAFA's record in the financial markets has been recognised by those who operate in those markets as being of high quality and, appropriately, those financing records have indicated that degree of acknowledgment of its past performance and, we hope, the Government's performance in the future.

Additional Departmental Adviser:

Mr R. Harper, General Manager, SAFA.

Mr SCALZI: I refer to the Portfolio Statements at page 3.16, 'Output class financing'. Will the Treasurer provide information on the reaction of financial markets to SAFA's funding strategies?

The Hon. R.I. Lucas: Prior to 1997-98, SAFA identified a need to establish a longer-dated funding instrument in the domestic market to give SAFA a more diversified debt refinancing profile and to increase the range of funding options available to our client base. During that financial year, SAFA successfully launched a 2007 benchmark stock in the domestic financial markets by tender in August last year. We are told that the tender was well received in the market, with the stock being launched at a price similar to the higher credit rated New South Wales T-Corp longstock.

Again, that confirms the response to the earlier question that, whilst we are much smaller and our credit rating is not as high as New South Wales' triple-A (we are double-A), SAFA has been able to achieve a very good result in terms of its borrowing program. That is a credit to SAFA and its staff, and I congratulate them.

Mr SCALZI: I refer again to the 'Financing Outputs', in the Portfolio Statements, page 3.16. Will the Treasurer outline the part SAFA has played in winding down the South Australian Asset Management Corporation?

The Hon. R.I. Lucas: SAFA has assumed the role of managing the Asset Management Corporation's very difficult portfolio and has done so successfully. It was initially managed with the assistance of the Asset Management Corporation staff and systems. The management function has now been absorbed completely into SAFA's core organisational structure. More recently, SAFA has taken on a wider policy making role in respect of the Asset Management Corporation's Treasury operations.

Mr WRIGHT: The Portfolio Statements (page 3.7) states that SAFA's balance sheet is to be rationalised, as well as its subsidiary and related companies. What is involved in this? Given that you have been reducing SAFA's balance sheet for the last few years, how much further do you intend to go?

The Hon. R.I. Lucas: I am told there will be a repatriation of capital of \$150 million this year, 1997-98 but, rather than my relaying the advice, Mr Harper will respond in more detail.

Mr Harper: SAFA's balance sheet has changed quite markedly over the last six or seven years or so. You will recall back in 1992 that the balance sheet of the authority was approaching \$23 billion. We are now talking of a balance sheet of roughly \$12.9 billion, according to the most recent figures. As the Treasurer has mentioned, there has been an upcoming capital reduction but there have been a series of capital reductions which have had a major impact on the complexion of SAFA's balance sheet. In 1992, we had capital invested in SAFA of roughly \$2.8 billion. We are currently at \$319 million, after three capital reductions over the last three years in particular.

With the capital reduction that the Treasurer has mentioned of a further \$150 million to occur on 30 June, SAFA's capital will be back to a level of \$169 million, which is a level indicated by the Auditor-General in previous reports. He has queried why SAFA has had such high levels of capital. Indeed, it has had the highest levels of capital of any central borrowing authority in the country. The Commission of Audit talks about a figure of \$150 million for capital, so we are very closely approximating those figures as at the end of this financial year.

There has been a run down over the last few years of reinvestment assets, investment assets which have more or less run their course now. We are down to more or less a core balance sheet structure. The run down of those surplus assets has contributed to the funding of the State over the last few years to quite a considerable extent. The other facet of the corporate make-up of SAFA has been the subsidiary and associated companies, and they are more or less run on a temporary maintenance basis. At the moment, they are reviewed regularly and are wound up where we can do that expediently and efficiently. The Treasurer has recently approved the winding up of the four DEFIC companies, which will occur this financial year as well. We now have a much more simplified and streamlined balance sheet and associated corporate structure.

Mr WRIGHT: I know that the Treasurer touched upon this, as did the answer that was just given, but could we have an explanation of the \$150 million return of capital from SAFA to the Government?

The Hon. R.I. Lucas: As Mr Harper indicated, it is a repayment of capital consistent with advice broadly we have received from the Auditor-General, the Commission of Audit and others in terms of how much capital we actually require left within SAFA. Mr Harper indicated that was about \$169 million to be left. Therefore, that money is now being repatriated back to budget for debt reduction. There is obviously a benefit to the budget in terms of debt reduction of that repatriation of capital.

Mr WRIGHT: How often do you receive briefings on SAFA's performance and to what extent and level of detail do you monitor SAFA's operations?

The Hon. R.I. Lucas: They seem to be quite often. Rick might be able to tell me how often the briefing note comes up. I get advice via the Under Treasurer.

Mr Bradley: The SAFA Advisory Board meets monthly. We would provide a copy of our minutes and board papers to the Treasurer's office each month. There is also a quarterly monitoring process where Treasury as an agency provides a separate report to the Treasurer, from our policy area of Treasury oversighting SAFA as well.

The Hon. R.I. Lucas: Certainly, as a new Treasurer, I have found SAFA to be an extraordinarily complicated process. Having spoken to the past Treasurer, I think he felt similarly. It is a very difficult area. We substantially rely for advice on our very competent SAFA and Treasury officers in terms of making that all sensible for Treasurers. As the Under Treasurer has indicated, my office would get a monthly update and, when there is a particular issue of importance, there might be a separate discussion and briefing with the Under Treasurer and Mr Harper or one of his officers. They are also kind enough to provide me with some software on the computer to help me learn a little more about the complicated processes of the money market. It is a learning curve.

Mr WRIGHT: What is the expected operating surplus for SAFA this year and for 1998-99? What will SAFA be paying into the Consolidated Account this year and in 1998-99? Is the Treasurer satisfied with the performance of SAFA?

The Hon. R.I. Lucas: I will take it in two components. I am advised that for 1997-98 the estimated operating surplus is \$74 million and the distribution back to the budget after tax is estimated to be \$47 million. We will take the question relating to the figures for 1998-99 on notice. We might be able to come back later this afternoon with the exact figures. An issue needs to be clarified in terms of exactly what the figure is for 1998-99 concerning the distribution back to the budget. We will take that on notice and, if we can resolve it before we finish today, I am happy to do so and, if not, we will comply with the normal requirement.

I was asked a question earlier about which I undertook to try to obtain a response by the end of the day. I put on the record that the communications consultancy arrangement was commenced on 12 May. So, we would be talking about seven weeks' payments for the \$50 000 sum that was mentioned prior to the lunch break.

Mr WRIGHT: Is the Treasurer satisfied with the level of supervision and auditing of SAFA, given some of the concerns raised by the Auditor-General, such as problems with the Treasury management system and failure by SAFA to implement adequate project management systems?

The Hon. R.I. Lucas: The Under Treasurer has advised me that a very extensive program has been undertaken within SAFA involving external consultants, Price Waterhouse, I understand, who act as our internal auditors at not inconsiderable cost: I am told that we might have spent up to \$350 000 in obtaining the very best advice that we might be able to obtain. Mr Harper tells me that the Auditor-General's department has been involved very extensively in the last period, in terms of working with SAFA and also working with the internal auditors as well. All the resources that we can bring to bear from governmental areas—if I you can use a broad governmental term to refer to the Auditor-General—and the best we can get from private enterprise in terms of the internal audit function have been brought to bear to try to address all these issues, and many others, which SAFA and its advisory board have highlighted.

It is important to note that the advisory board includes a number of external people, if I can use the phrase. It includes people such as Mr Brownjohn, the Managing Director of CoSight Capital Pty Ltd; Mr Doyle, a former General Manager, Corporate, Australian Wheat Board; Ms McCleary, a corporate taxation consultant from Coopers & Lybrand; Mr Osborne, a Senior Vice President, Country Head, Australia and New Zealand, The First National Bank of Chicago; and, obviously, senior Treasury officers—the Deputy Under Treasurer acts as a deputy for the Under Treasurer. Because it is such a complicated area and because Governments obviously have wanted to learn from lessons of the past, I am advised that virtually everything that can be thought of that should be done is being done, starting with an advisory board, which has a range of senior people from private enterprise as well as Government people, the Auditor-General's involvement and the involvement of Price Waterhouse as the internal audit. We are trying to cover as many bases as possible in all those areas. Mr Bradley has a further comment.

Mr Bradley: SAFA is now placing full reliance on its new Treasury management system. So, it has been implemented successfully over the past year and it is now going through a full and thorough audit process. It will be the future system and it is considered to be the leading edge system for Treasury operations in Australia.

Mr WRIGHT: A supplementary question, if I may?

The CHAIRMAN: Another one?

Mr WRIGHT: No, my first supplementary. I appreciate the detail of the answer from both the Treasurer and the Under Treasurer. I am not trying to be smart or glib. The Treasurer has provided the detail—and I appreciate that—but I want to return to the basis of my question, that is, are you as Treasurer satisfied with the level of supervision? I do not need the Treasurer to detail what is happening: I just need a simple 'Yes' or 'No' from him as a Minister of an important section of Government.

The Hon. R.I. Lucas: I am sorry if I was not quite as explicit as I should have been. Obviously, the answer is 'Yes', given the advice. As I said earlier, in large part, I am guided by the advice from senior and competent Treasury and SAFA officers in this respect, but in looking at it myself it would appear that all that could be done is being done. I am sure that, if the Auditor-General has any ongoing concerns, or whatever, he will highlight them in upcoming Auditor-General's Reports, and obviously we will watch them with interest. I am sure that, if he is happy, we will be pleased to see him acknowledge the effort that has gone in to trying to

ensure proper oversight of our critical functions in relation to SAFA.

Mr WRIGHT: Why was the decision taken to remove SAFA from responsibility for management of SA Water's debt, and who now has the responsibility? In particular, I refer to the Auditor-General's Report, Part B, Volume 2, page 662.

The Hon. R.I. Lucas: I am advised that that decision was taken initially by the SA Water Board, and a process needs to be followed with Treasury and the Treasurers. I am told that SAFA still manages all its borrowings and all its dealings in derivatives, etc. The SA Water Board manages its risk management policy and framework. It has contracted Macquarie Risk Advisory and SBC Dillon Read to assist in that particular task.

The CHAIRMAN: In accordance with the program that has been agreed to, the Committee will now move on to Funds SA.

Additional Departmental Adviser:

Mr L. Owens, Chief Executive Officer, Funds SA.

Mr MEIER: Can the Treasurer advise what investment return Funds SA achieved in the 1996-97 year? Can he advise the figures for the 10 months to April 1998?

The Hon. R.I. Lucas: The Funds SA investment return in recent years has been excellent and I congratulate that agency. In 1996-97, its return was 20.7 per cent. In the 10 months to the end of April 1998, it was 12.8 per cent. In both cases that compares well with the benchmark: the 1998 benchmark is 11.8 per cent, and the 1996-97 benchmark was 20.9 per cent. I am advised that the return for the 10 months to April 1998 of 12.8 per cent is well above the average for fund managers' returns so far in the 1997-98 financial year. With inflation running at 2 per cent to 3 per cent per annum, or less depending on what measure one takes, the Funds SA real returns of around 19 per cent in 1996-97 and 10 per cent or more in 1997-98 are obviously very impressive. It contributed to a reduction in the unfunded superannuation liabilities.

Mr MEIER: What return did Funds SA make on its investment in the Ayers Rock resort?

The Hon. R.I. Lucas: The sum of \$8 million was invested in this undertaking. We secured a 13 per cent interest in the Ayers Rock resort, which was part of a sell-down by the Northern Territory Government. The resort benefited through a restructuring of its operations and continued tourism growth. In mid 1997, investors decided to dispose of their holdings, resulting in an eventual sale to a general property trust. The sales process realised an amount of \$23 million to Funds SA which, together with dividends of \$2.7 million, has generated a return of 32.3 per cent per annum over the four year holding period. I suspect that not too many investors in major tourism infrastructure resorts are able to report that sort of return on their investment.

Mr MEIER: Have funds under management grown over the past five years since the Government commenced contributions to the past service liability accrued by a previous Government?

The Hon. R.I. Lucas: In June 1993, just prior to the Liberal Government being elected, the funds under management by Funds SA amounted to approximately \$1.2 billion, and the most recent figures show a growth to \$3.2 billion in April this year, and I will not go through the figures year by year. In the space of almost five years the amount of funds

under management has increased from \$1.2 billion to \$3.2 billion. The figures show that is a compound annual growth rate of approximately 21 per cent and a total growth of \$2 billion over the five years. Not all the growth in funds is a result of contributions to past service liability, but the growth has also occurred in members' funds and as a result of the high earnings of the fund.

Mr FOLEY: At this time last year, the Chief Executive Officer (Mr Owens) mentioned the changing spread of investments held by Funds SA. At the time, a number of property investments were being liquidated and there was a move towards equities and other investments. Can the Treasurer comment 12 months down the track on the spread of investments that Funds SA is putting in place? Is it continuing its program of moving away from major building acquisitions or holdings into more liquid investments?

The Hon. R.I. Lucas: Given that Mr Owens commented on this last year, he will have a good memory of what he said, so I ask him to address this question.

Mr Owens: The strategic asset allocation for which we indicated we were aiming last year has remained our target for this year and it will remain so for the coming 12 months. That basically is about 34 per cent in Australian shares, 33 per cent in international shares, 8 per cent in property, 15 per cent in inflation linked securities, 8 per cent in fixed interest and 2 per cent in cash. In terms of the property investment of about 8 per cent of our \$3.2 billion, or nearly \$260 million, we have continued the approach of selling down our holdings in direct properties. We have four left, which we are in the process of putting to market over the next 12 months.

As an outcome of selling down our direct holdings, we have been investing in both listed and unlisted property trusts. I am pleased to report that, in the 11 months of the current financial year, our property portfolio has returned 10.6 per cent, versus its benchmark of 10.7, which is certainly one of the higher returns in our property portfolio for many years.

Mr FOLEY: Was that 34 per cent Australian equities and 33 per cent international?

Mr Owens: That is correct.

Mr FOLEY: That is a 67 per cent exposure to equities. With the relatively high exposure to equities—and the Treasurer may not want to answer this as fully as one might, given that we are an open forum—with the current turmoil in Asia, the recession in Japan and some uncertainty about equities, and with the relatively high value of the Dow, will those policies be readjusted in light of the changing circumstances?

The Hon. R.I. Lucas: I am advised that the Funds SA board approach is that they are long-term investors and that they are able to be long-term investors, as opposed to others who invest in the equities market. They are obviously aware of the economic environment, both in Australia and internationally, and have made the decision in those particular terms that they are long-term investors. There will obviously be ups and downs during that period, but if one is a long-term investor, one is better placed to be able to absorb the inevitable ups and downs that the equities market suffers—or, indeed, any market potentially suffers during a shorter time span.

Mr FOLEY: I accept the point, obviously, that equities are a medium and long-term investment, although there would appear, on those numbers, to be some higher exposure to a sharp downturn, should there be one, in the share market.

How does that spread of investments compare with normal balanced funds?

The Hon. R.I. Lucas: I am told that some funds would have up to 80 per cent in equities. Funds SA is in the broad ballpark, although it might be towards the upper end. But it is certainly not, as the figures would indicate, at the 80 per cent end. We are not the—

Mr Foley interjecting:

The Hon. R.I. Lucas: No, we are not at the 80 per cent end. Evidently, some of the other funds are as high as 80 per cent. So, at 67 per cent (or whatever that number was) I am told that we are in the upper half but we are obviously not the highest or in the highest grouping.

Mr FOLEY: My next question is probably one that would normally be put in a more private briefing session. In terms of the Commonwealth Government's decision (whenever the Parliament in Canberra finally agrees to it) in terms of choice of funds, what is the situation with the State Public Service? Will public servants be covered, in terms of choice of funds, or will they still be obligated to invest with Funds SA?

The Hon. R.I. Lucas: I am told that the Government is currently considering its position in relation to this, in terms of choice of investment for South Australian public servants, and the Government should determine its position on that in the not too distant future. Whichever way it goes, the Parliament will have an opportunity to express a view, because it requires legislative change should one go down a particular path.

Mr FOLEY: Obviously, this State has its own legislation and we have to change the legislation, but do the Federal changes mean that the Commonwealth will be encouraging a State Government to provide choice, or is it the case that the Commonwealth Government would simply say that that is up to the States? What pressures is it putting on the States to comply with the choice issue?

The Hon. R.I. Lucas: I ask Mr Bradley to respond to that.

Mr Bradley: We are not required to comply with the Commonwealth legislation, although I believe that the Commonwealth Government is seeking cooperation from the States. However, it is not putting on any particular pressure. We are formulating our own policy response, having regard to what is happening in the general marketplace in relation to superannuation schemes, and trying to ensure that members have available to them the same sorts of choices as they might have in the private sector.

Mr FOLEY: Again, I probably should have this briefing but, under this legislation, let us hypothetically say that a decision was taken by the Government to allow public servants to choose their fund: then Funds SA is competing for the dollar, as would any other fund. Does the reverse also apply: that that would then allow Funds SA to invite in customers from outside the public sector?

Mr Bradley: The Government is considering the policy approach to letting members have investment choice. The issue of fund choice is a separate question again.

Mr FOLEY: Fund choice—my apologies.

The Hon. R.I. Lucas: I believe that that is an important distinction, because investment choice can be done within the existing scheme. In effect, one is choosing a high, low or medium risk (or however one might define it) investment strategy, and members can then make a judgment that they want to go down this particular path and will be advised of the risks and the benefits. Or a very conservative person might prefer to go down the low risk-low reward path. That might not be exactly the right way to describe it, but I believe

that it broadly summarises the sorts of investment choices that members might have. As I understand it, we have had some productive discussions with the unions.

Mr Bradley: That is right. It centres more around the issue of investment choice for members. The other point is that our schemes are different, in the sense that we have defined benefit schemes, and those sorts of choices really are not appropriate, because members have a defined benefit obviously, whereas with the new accumulation schemes, investment choice obviously becomes more important.

Mr FOLEY: I meant fund choices—and I do not believe that that legislation has passed the Federal Parliament yet.

Mr Bradley: No, the policy issue we are putting before the Government is more about investment choice than fund choice.

Mr FOLEY: It is a matter of the Commonwealth's determining the final position on that.

Mr Bradley: Certainly on fund choice, yes.

Mr MEIER: What is Funds SA doing to address the millennium bug?

The Hon. R.I. Lucas: I am told that the board of Funds SA has approved a year 2000 compliance policy. Funds SA is in the process of upgrading all its hardware and software to ensure that all computer-based systems will be year 2000 compliant. I am told that this will be completed by October of this year. A year 2000 specific risk management software module has been acquired to reassess the impact on Funds SA of year 2000 issues after the installation of the hardware and software upgrade. All service providers have been written to, with a request that they advise Funds SA of progress with the year 2000 plans, and in July of this year each party will be asked to provide a certificate of compliance with the implementation of their year 2000 projects. The overall project is on schedule, and the expenditure is fully budgeted for.

Mr FOLEY: I do not have any more questions. I have some issues but I would rather they be discussed in a more private setting than in a public forum.

Mr MEIER: One thing businesses and people generally do not like paying are their taxes, certainly the fees, etc. Could the Treasurer comment on improvements offered to taxpayers by way of electronic methods and the reduction of costs associated with paying tax through such electronic methods?

The Hon. R.I. Lucas: I certainly agree with the honourable member's initial premise that no-one likes paying their taxes. The State tax office has developed a PC based system known as TIMBER (Taxation Information and Money By Electronic Return), which allows parties previously lodging documents for stamping to instead furnish an electronic return and direct debit payment from their office. TIMBER utilises the Telstra Mailbox facility, and liaison between taxpayers and the State tax office is entirely electronic. This is obviously a significant and innovative development in the operations of the tax office.

The benefits are obviously reduced costs and superior service delivery for some of the tax paying public. A compliance issue is also involved, which is also an important issue for the State Taxation Office. TIMBER enables solicitors, financial institutions and conveyancers to sell, process and stamp a wide range of instruments which are liable to stamp duty. The system was successfully piloted in late 1996 and has now been released for general distribution. In the first 12 months of operation, 72 000 documents were stamped using TIMBER, with volumes currently running at over 12 000 documents a month. TIMBER is stamping

documents lodged by 77 separate parties through 49 accredited participants. It has been a significant change in terms of the operations of the State tax office and obviously one that has been pretty successful.

Mr MEIER: Returning to general matters, can the Treasurer outline what action is available to the Government with respect to reforming the taxation base, or do you think you covered that earlier when you were going through your budget at a glance?

The Hon. R.I. Lucas: Broadly, yes, although in terms of reforming our tax base a number of the initiatives—and I will not go through all of them in detail—the Government took in the release of its State budget have set about trying to establish a tax base as best it can—given High Court decisions and other sorts of challenges or pressures that confront it—to generate enough revenue to spend on education, health and community safety, as well as other public service needs.

I return to the member for Goyder's initial statement that no-one likes paying taxation. That is true, but the bottom line is that, every time there is a budget reduction, sure as eggs a whole range of people line up to oppose a particular school closure, such as Croydon Primary School, or a particular reduction in the number of public servants. The Government announced a reduction of 550 public servants. Whatever expenditure reduction is announced there is no shortage of people lining up to complain about it. What is clear, and certainly what the budget strategy has made clear, is that people cannot have their cake and eat it too: if you want to oppose expenditure reductions you must somehow generate the revenue. There is no easy process of expenditure reductions, either.

The Government, in reforming its own State tax base, has made some difficult decisions. In the context of the national tax debate some important decisions will occur which will have important implications for our own State tax base. If, for example, a number of our stamp duties and FID disappear, it will reduce the number of financial levers that a State Government and a State Treasurer have to address a particular budget problem. If payroll tax were to be included, again, that would be a further significant reduction in a financial lever that was available to a State Government in terms of being able to address a particular budget initiative or financial problem.

It is important for those who want to see a continuation of States and Territories as a strong and viable second tier of Government that they take an active interest in the national tax reform debate. It is important that the second tier of Government comes out of this national tax debate with access to some powers, whatever they may be, and we explored a range of options this morning with the member for Hart. Regardless of your perspective on the issue—and there is obviously a degree of politics that will always be played in this—I think that we ought to be mindful of some of the significant issues for State and Territory Governments in how the national tax reform debate is played out. Some critical issues are involved, and we would obviously hope that the States will be a part of the final package that is ultimately put to the people for a vote at the next Federal election.

Mr FOLEY: The member for Elizabeth has some questions on Living Health that are not necessarily in the current stream but, given the more relaxed atmosphere in the past couple of hours, I hope the Committee will indulge the honourable member's asking some questions.

The Hon. R.I. Lucas: I am very relaxed, as long as we do not miss out on our afternoon tea at some stage.

Membership:

Ms Stevens substituted for Ms Thompson.

Ms STEVENS: The Treasurer's ministerial statement of 27 May 1998 relating to Living Health, in part, states:

A detailed review of Living Health's current expenditure has been undertaken. The Government has concluded that in addition to the budget line entitled 'Administration Costs for 1997-98' of \$880 000, further administration related costs of some hundreds of thousands of dollars were included in other budget lines.

Who undertook the review and can you give the specifics of these 'some hundreds of thousands of dollars' included in other budget lines to which you refer?

The Hon. R.I. Lucas: This issue is not specifically covered in these sessions, but I will endeavour to give the honourable member as much information as I can, given our willingness to be as open and comprehensive as possible. I might need to consult my records and other matters to provide a more detailed response within the normal constraints. I will endeavour, on the basis of recollection and memory, to do the best I can. I will add whatever information I can or qualify anything if I am so required.

The review was carried out by a committee of Ministers which I chaired. Three or four other Ministers were part of the committee. We sought information directly from Living Health in response to a series of questions. That information was generally provided by the Minister for Human Services, obviously, because he had direct responsibility for that. He was, in effect, the conduit for information from Living Health via his department and office through to the Cabinet committee. We were a committee of Ministers. I notice that someone made a distinction between a committee of Ministers and a Cabinet committee. I need to take advice as to what we were. We were a committee that comprised Ministers, although not all Cabinet Ministers, as the Minister for Recreation and Sport (Hon. Iain Evans) was a member, together with—

Mr Foley interjecting:

The Hon. R.I. Lucas: And women. The member for Hart will not find me using that sort of sexist terminology, and I am sure the member for Elizabeth will be delighted that I do not fall for that.

Members interjecting:

The Hon. R.I. Lucas: Both genders were represented. The review was undertaken by the meeting of Ministers or the committee of Ministers, however you describe it. We sought information from Living Health, and some ministerial officers were involved in providing advice to their respective Ministers. In some areas I might have sought clarification of some issues from some Treasury people but, in essence, it was being driven by the group of Ministers, and I chaired the group. On the next part of the member for Elizabeth's question, as to where it was, I am happy to take advice. One of the fund classifications was called sponsorship support—again I will clarify all this; I am going on memory here—and in 1998-99 I think the sponsorship support figure was estimated at about \$1.6 million, which was within a total budget of about \$14.6 million.

They were actually spending their \$13.4 million plus some of their reserves, so we need to bear in mind that there are two parts to that proposed budget. As members will see from our press statement, we have addressed the issue of the reserves in a different way, but a significant component of

that \$1.6 million of sponsorship support was what I have termed 'administration related expenditure.' There may well be differences of opinion between the Living Health board and me as Treasurer as to what is administration related expenditure. For the benefit of members of the committee I term expenditure on salaries, motor vehicles, stationery, travel, postage, warehousing and distribution functions as administration related expenditure. It may be that the board and management of Living Health disagree with my definition, because they have a budget line of \$880 000 for administration expenses.

Within sponsorship support they had an in-house design function that was being paid for by sponsorship support. Some people might interpret that as being an administration related expense, although I acknowledge that perhaps Living Health and its board did not see it that way. I will be happy to come back to the honourable member with some sort of broad indication. The problem is that there is obviously a difference of opinion between the board of management of Living Health and me as Treasurer and the Government ultimately as to what is an administration cost. That is why I have used the term 'administration related expense', and I think Living Health is more comfortable with that. But there is a range of costs within that \$1.6 million which were not, as I think many people in the health, sport and recreation and arts communities believe, money going to it directly for it to spend.

I have used the term 'administration related' because they were moneys being used to eventually generate a product, be it a sign, a marketing exercise or a sponsorship program, which was then being seen by the broader community.

Ms STEVENS: As a supplementary question, the Treasurer noted that there were three or four Ministers on that committee and named himself, the Minister for Human Services and the Minister for Recreation and Sport. Who was the fourth member of the 'gang of four'?

The Hon. R.I. Lucas: I think it might have been five: the Ministers for Recreation and Sport, Human Services, Arts, me as Treasurer and the Attorney-General. On one or two occasions, when the Minister for Human Services could not attend, the Minister for Disability Services might have attended as his nominee or proxy. The committee probably comprised five Ministers.

Ms STEVENS: Can I have a copy of the review? Is that a document which we can peruse?

The Hon. R.I. Lucas: There is no report as such that we produced: we produced a recommendation which went through Cabinet. Obviously, as the honourable member would appreciate, it will not be possible. We gathered our information and I then took a recommendation through to a meeting: it might not have been a Cabinet meeting but a meeting of all Ministers. I would have to check that, because Minister Evans would not normally have attended a Cabinet meeting. It was probably a meeting of all Ministers, and I took through a recommendation which included some of the broad detail that the meeting of Ministers had clarified in its brief time together.

Ms STEVENS: The press release also states:

The Government is therefore strongly of the view that additional funding can be provided for sport, art and health programs through considerable savings in administrative costs.

What quantum of additional dollar savings were you or your committee thinking of in terms of the additional money that would go to those three categories as a result of these changes?

The Hon. R.I. Lucas: It is a complicated issue for a couple of reasons: first, there is the considerable reserves that Living Health has. Living Health was embarking upon a program over a number of years in running down its reserves. It recommended a budget of \$14.6 million or \$14.8 million for 1998-99 when it was getting an allocation of only \$13.4 million. It was drawing on its reserves to the degree of about \$1.2 million for 1998-99. It still would have left some millions of dollars in Living Health reserves. I presume over the coming years that it might well have expended that money on one-off projects or whatever. So, there is the complication that, in effect, there are two budgets.

The Government has adopted an approach which is different from that. We have said, 'Here is \$13.4 million and that should be what is distributed.' We will tackle the issue of the one-off reserves in a different way: my press release will provide more detail, but we will use that as a transitional funding source while Living Health continues and until the legislation is, hopefully, passed by Parliament. Then there will be another meeting of the Ministers where we will decide upon a distribution between the three agencies of the remaining reserves. If the reserves still happen to have \$3 million or \$4 million—I am not sure what that sum would be—a considerable sum of money will be allocated to arts, health and sport out of the reserves component.

Ms STEVENS: When you talk about getting more bang for the buck in terms of a decrease in administrative costs, are you talking about using up the reserves?

The Hon. R.I. Lucas: No. There are two areas: first, we will use up the reserves, and we are doing that in a different way; and, secondly, there will be a reduction in terms of the administrative component of the \$13.4 million. Living Health acknowledges that there is about \$880 000 in administration expenses. The point of view the Government put in that ministerial statement was that there was some additional administration and related expenditure. Again, I acknowledge that Living Health might see that differently.

We have guaranteed the continuation of the contracts of a lot of these staff or—and I think there are only five permanent employees—continued employment. With the contract employment, it will depend on whether they are continued. For example, in Human Services I understand that one of the options might be that, if some of those people who are contract employees continue, they will not necessarily continue in this sort of area. Human Services is a big department and I think that the Minister has undertaken that, if there are vacancies in other areas, they might have continuing employment if their skills are transferable to other areas of Human Services. So, they will not be counted against a Living Health-related budget. In two areas there should be a reduction in terms of the administrative overhead of distributing it out of the \$13.4 million, and there will also be a one-off benefit in terms of the distribution of the reserves.

Ms STEVENS: In terms of the reduction in administrative costs that you were looking for in relation to the \$13.4 million, which would be ongoing and not a one-off, what benchmark are you looking at as a reasonable administrative cost that should be applied out of \$13.4 million to get this money distributed?

The Hon. R.I. Lucas: The Ministers took the view that they could distribute the funding with the health focus and so on that we have indicated in the ministerial statement at a much lower cost to their individual departments. I would need to take some advice from the individual Ministers about the

detail of that, but I know that in one of the agencies there is a well-developed grant distribution-type program which might need to be changed only a little bit to ensure the appropriate health focus of the former Living Health money. It was not envisaged that there would be a significant additional cost for that department to be able to distribute not only its existing money but the additional Living Health money. Certainly, the Ministers' view was that they could distribute this money very cost effectively and get more bang for the buck, as the honourable member has indicated, for sporting groups, health groups and art groups.

Ms STEVENS: You do not have a benchmark that you are aiming at: you just have a suggestion from each Minister that they would be able to do it much more cheaply. Are you saying that you could get an answer from each of them?

The Hon. R.I. Lucas: We do have a financial benchmark, objective or goal, that is, to waste the least amount of money on administration and to maximise the amount of money which is given to sport, health and art groups for their benefit. There is also an absolute commitment from the Government and from me as Treasurer that the money, including the reserves, will not in any way be clawed back into the Consolidated Account. There is also a commitment, the detail of which I will not go into now, in terms of the continuing health focus of these programs. There is a genuine commitment as well as clear objectives in mind in terms of how we might tackle this. The Minister for Recreation and Sport and the Minister for the Arts in particular have a very clear idea about how they will tackle the program to the benefit of their constituencies in terms of the amount of money that goes out there.

The CHAIRMAN: Order! The Chair seeks guidance from the Committee at this stage. It is now past 4 p.m. and I presume, in accordance with the agreement, that we will move to the Motor Accident Commission.

Mr MEIER: Will the Treasurer outline why the claims cost controls were not introduced to Parliament earlier?

The Hon. R.I. Lucas: In the middle of or early last year, there was a recommendation for an 8 per cent increase in premiums. The then Treasurer and the Government took a decision that it would be 5 per cent on the basis that a legislative reform package of cost control measures would be introduced to the Parliament to make up for the 3 per cent differential. A committee of Ministers, which included the Treasurer, the Attorney-General and, I guess, the Minister for Transport—and I would have to check who else was on that committee—was established to progress as quickly as possible the legislative reform package. Then followed the onset of the election campaign and that committee was unable to conclude its body of work prior to that time.

After the election, as the new Treasurer—I cannot remember exactly when—the committee recommenced its work. I was then a member of the committee, as were the Attorney-General and a number of other Ministers. I cannot remember how many weeks ago it concluded its views, and its recommendations went to the Cabinet for final determination. The prime explanation was that the immediate onset of the election prevented the introduction of the legislative reform package to the Parliament. We now have a legislative reform package which is before the Parliament.

As I said in the second reading explanation, it is completely in the hands of the Parliament. The Parliament can, if it chooses, not accept the reform package and accept a 12.9 per cent increase in premiums instead of 8 per cent, or it can accept the reform package and therefore have a lower

premium increase of 8 per cent. As I indicated to the representatives of the taxi industry the other day who had an interest in some other related decisions in this area, if the package was to be rejected by the Parliament, there would be an extra \$100 added to the taxi increase. I must say that they immediately warmed to the legislative reform package and indicated some willingness to support it.

Mr MEIER: Will the Treasurer advise for how long the Motor Accident Commission (MAC) will continue to have its performance impaired by asset liabilities inherited from the former State Government Insurance Commission?

The Hon. R.I. Lucas: I am advised that publicity on the weekend indicated that the Motor Accident Commission sold the Centrepoint building, which I am told was one of the old investments of the State Government Insurance Commission. The *Sunday Mail* or *Advertiser* article referred to its original price of \$43 million and its ultimate sale for \$23 million. Its written down cost was lower than that. Obviously, given what has occurred with a range of those sorts of property related investments over the past few years, they have been significantly downgraded in the company's balance sheets. This was just another example.

I am told that the MAC has a small portfolio of troublesome loans still outstanding from the SGIC days, for example, a farm where the loan outstanding is significantly greater than the current market value, and a suburban shopping centre where the loan to security ratio is estimated at between three and five times the value of the property. In these sorts of circumstances, MAC is forced to consider mechanisms to try to restore some value to the assets where possible and to minimise the loss, and in some cases this could take up to a couple of years. In the meantime, obviously the funds tied up are earning below market interest rates and effectively act as a drag on the MAC return on assets.

That is a short and succinct summary of the broad problems that MAC inherited from the old SGIC and it obviously impacts on its earnings ratio, and that also has some impact on the requirement to charge a higher premium level than might otherwise have been the case if it did not have to continue to look after and manage these troublesome loans.

Additional Departmental Adviser:

Mr G. Vogt, Chief Executive Officer, Motor Accident Commission.

Membership:

Ms Thompson substituted for Ms Stevens.

Mr MEIER: I asked questions previously in relation to the Department of Treasury and Finance and, more recently, in relation to Funds SA: now I ask, in relation to the Motor Accident Commission, how is the commission dealing with the millennium bug and the year 2000 computer problems?

The Hon. R.I. Lucas: The Motor Accident Commission has been working towards year 2000 compliance for approximately 18 months. I am told its internal computer systems, except for one minor administrative PC program, were acquired in the middle of 1997 on the basis that the hardware and Microsoft software were year 2000 compliant. A further audit of this compliance will be conducted prior to the end of this year.

MAC has significant business relationships with a number of other companies and bodies such as SGIC, Legal & General, and Registration and Licensing, and this was an

issue that Funds SA referred to. It is not just a question of ensuring that your own system is year 2000 compliant: you obviously have to work back through the major people you are working with on a day-to-day basis. We are told that SGIC has had a year 2000 compliance policy in place for 18 months. The program involves external audit by KPMG, whose summary in February this year was that its year 2000 project was well structured and had adopted a sound approach to tackling the year 2000 date issue. On completion of compliance testing, KPMG will undertake a final audit of the compliance program.

SGIC in its turn is also monitoring the status of compliance of each of its external service providers, so it just goes back and back. SGIC reports monthly to the board of MAC on its year 2000 compliance progress. Legal & General has established a project plan to ensure that its systems are year 2000 compliant and that its vendors are also year 2000 compliant. MAC understands that satisfactory progress has been made to date and all programs will be year 2000 compliant in sufficient time to meet the 31 December 1999 deadline. Again, Legal & General reports monthly to the board of MAC on its year 2000 compliance program.

Finally, Registration and Licensing advise that its drivers' program, which is used to issue renewal notices and collect premiums, is already year 2000 compliant. If either SGIC or Legal & General are unable to provide sufficient evidence of year 2000 compliance prior to 31 December 1999, MAC could change its service providers with only six months notice required under the claims management agreement with SGIC, and one month's notice required under the investment management agreement with Legal & General. The member for Goyder can be assured that MAC is trying assiduously to ensure that this vexed issue of year 2000 compliance is satisfactorily resolved from MAC's viewpoint.

Mr FOLEY: The Treasurer mentioned earlier the recommendation from the Motor Accident Commission. I assume the Motor Accident Commission sought the rise last year, and I think the Treasurer indicated a rise of 5 per cent. However, due to an approaching State election we both put respective spins regarding why it was not put on. The Treasurer's spin was that it was a little too difficult; obviously mine was that the Treasurer avoided it because of the election. Is it fair to say that we have now gone two years without a rise in the fees? Did the Treasurer say earlier that he did not approve the 5 per cent increase?

The Hon. R.I. Lucas: No, it was an 8 per cent recommendation from the Third Party Premiums Committee. The Government approved a 5 per cent increase. The 3 per cent differential was meant to be caught up by the legislative reform package.

Mr FOLEY: So, the legislative reform program is a difference—

The Hon. R.I. Lucas: It was going to be 3 per cent.

Mr FOLEY: And it has now grown to what—nearly 4 per cent?

The Hon. R.I. Lucas: No, the Government in the more recent arrangements has approved 8 per cent. The Third Party Premiums Committee recommended 12.9. The legislative reform package is now worth 4.9 per cent of premium. It is a bigger and more comprehensive cost control measure because we were confronted with a bigger premium increase of 12.9 per cent as opposed to 8 per cent.

Mr FOLEY: I would not have to ask some of these questions but, as the Treasurer would appreciate, we have not been briefed on his proposed legislative changes. I move on

to the asset sales program which the Treasurer mentioned previously. In reference to the building that was sold on the weekend, Centrepoint, the Treasurer has decided not to disclose the name of the buyer in the press release. Why has the Treasurer decided not to disclose the name of the buyer (and I ask that he do so)?

The Hon. R.I. Lucas: I am told that the buyer has asked that his or her, or their, identity remain confidential, and final settlement on the sale has not occurred yet.

Mr FOLEY: That may well be the view of the client, but, whilst it is an impaired asset, it is an asset of the State nonetheless, and the taxpayer has every right to know the purchaser's identity. Given the statement that it was an off market transaction, I would like to know details of the process that was entered into with that sale.

The Hon. R.I. Lucas: I am told that a fresh valuation of the property was taken by MAC in May of this year and the sale price was above that most recent valuation of May of this year. I would have to take some further advice in relation to what rights, if any, a potential purchaser has in terms of claiming or wanting confidentiality. I am happy to respond with a more considered reply within the time frame that we have been given. The bottom line is that it is no longer a State asset, impaired or otherwise: it is actually owned by someone else in terms of the process. What I will need to check ultimately is whether or not they can remain anonymous. I presume there are some requirements on them and the ownership will become apparent at some time. I will take advice on that and see what further information I can provide to the honourable member and the Committee.

Mr FOLEY: In terms of public policy, who purchases significant Government assets, be they buildings or whatever, is a fairly important issue and we would certainly want that information made available. In terms of the asset sales process the Treasurer now has in place for the Motor Accident Commission, what is he doing with these assets? Does the Treasurer now have a program where he wants to work out the impaired assets before sale? Are we in a process where the Treasurer may be choosing to have a potential fire sale—and I am not reflecting on the most recent sale? Is the Treasurer looking at selling at any cost to get them off the books prior to sale? What process does the Treasurer envisage?

The Hon. R.I. Lucas: I will repeat the reply I gave in response to a question from the member for Goyder, which will answer the honourable member's question; that is, MAC considers mechanisms to try to restore some of the value to the assets, where possible, to minimise the loss, and in some cases this might take up to a couple of years. Certainly MAC has not adopted a policy of a fire sale of assets in the past.

Mr FOLEY: No, not up until now, but as we move into this sale period.

The Hon. R.I. Lucas: No, not up until now, and as I indicated to the member for Goyder, it is not the current policy either. What I have said is that MAC considers mechanisms to restore some value to the assets, where possible, to minimise the loss, and in some cases this could take a number of years. Again, we have very reputable, competent people on the MAC board, including Treasury people, as well as people from the private sector, and obviously they are making these sorts of commercial judgments. I assure the honourable member that they are certainly under no instruction from me, explicit or implicit, to engage in a fire sale of their assets. Essentially I have left them—under broad oversight of course—to make commercial

judgments, which I think is the appropriate way for them to operate. They have been making commercial judgments about these sales and, by and large, I feel confident in allowing that sort of process to continue. There is certainly no intention of engaging in a fire sale of assets.

Mr FOLEY: In the sale process of MAC, what is the cost of consultancies associated with the sale process?

The Hon. R.I. Lucas: What process is the honourable member talking about?

Mr FOLEY: The scoping study, and so on, involved. I am pre-empting the outcome.

The Hon. R.I. Lucas: I was wondering what sale process the honourable member was talking about.

Mr FOLEY: Has the scoping study been completed and what is its recommendations?

The Hon. R.I. Lucas: Just to clarify that, there is not a sale process for MAC. The Government has not taken a decision for the sale of MAC. We are engaging in scoping studies of a range of assets, including MAC. I have indicated to a number of public fora that, in my view—and I think that also includes a statement in the Parliament—I need to be convinced—and so will the Government—that it is in the best interests of the public to go down a path of the sale of MAC. The Government does not have a position one way or another. I think it has been suggested that the Government has already decided that MAC will be sold. Some have even suggested that the premium increase decisions from the Third Party Premiums Committee—at which I think they might take offence—and others have been taken from the viewpoint of fattening MAC up for sale.

Mr FOLEY: They were my words, yes.

The Hon. R.I. Lucas: The shadow Treasurer used those words. Certainly the Third Party Premiums Committee would take offence at that, and I would, too—although I suspect that I am much thicker skinned than the members of the Third Party Premiums Committee. I assure the shadow Treasurer that the Third Party Premiums Committee is not recommending 12.9 per cent increases to fatten it up for sale: that would be the farthest thing from their mind. I suspect that they have a job to do; they are independent and they recommend to the Government what they believe the premium increase should be to meet the policy objectives that are in place—and that does not include fattening it up for sale.

The Government has taken a decision to reduce the premiums with a cost control package, as well. I have said to Parliament and to a number of groups that no-one should be under the impression that the Government or I as Treasurer have taken a fixed view about the sale of the Motor Accident Commission. That is certainly not true, and I start from the position of requiring some persuasion as to why it might be in the best interests of the State and of the consumers for the sale of MAC. That does not mean that the scoping study and others might not persuade me to that view, but that is broadly from where I come.

In the other scoping studies that are being done, it can be said that most people have the viewpoint that the assets should be sold. The TAB is the most likely example of that, given what has occurred nationally. Again, we have not taken a decision on that, but most people would start with a view on that, and I think that the shadow Treasurer has expressed a view on that issue. MAC should not be put into the same category as the TAB in terms of public perception of whether or not the Government is predisposed one way or another towards a sale.

Mr FOLEY: If I have offended the members of the Third Party Premiums Committee, although I am sure they equally have thick skins, I apologise. Is the Treasurer concerned that the Motor Accident Commission has not consulted sufficiently with the industry, taxi owners and others?

The Hon. R.I. Lucas: I can understand the concerns that the taxi industry representatives have put to me and to others, as well. As I indicated to them, some of their criticisms have been unfair in terms of where they have been directed. If they want to direct criticisms, they should be directed at the Government, principally against me as Treasurer. They did that in fair part, to give them their credit, in a meeting I had with them last week. MAC provides advice to me as Treasurer. The Third Party Premiums Committee also provides advice.

The extent of the rise in third party premiums and the issue of reduction in costs on the system are controversial, and Governments are sensitive about them. Before the Government makes its decision, we would not expect a broad-ranging debate to go on in the community as to what the premiums committee is recommending and the options for the Government to consider. There is a process that the Government has to follow, and I do not think that criticisms of MAC in relation to this part of the process are fair.

In relation to the more ongoing nature of the issue, MAC's advice to me has been that the issue of the safety record of taxis has been raised since 1995. Some taxi people have said that the first they heard of it was in 1997. My clear advice is that this was first raised in early 1995. Clear warnings have been given about the safety record issues and, in the three years since then, the safety record has worsened. In the last year there was a small reduction from 11.8 to 11.6 per cent, but the relative accident rate is up from 9.8 per cent three years ago.

The clear message that I gave to taxi drivers is that this year there have been significant reductions in premiums in some classifications. Country drivers of an average vehicle actually had a 2.7 per cent reduction in their premium because of their safety record as a classification. Medium size motorcycles in the metropolitan area category had a reduction in premium of 30 to 40 per cent because of their relatively safe record. The message that I gave to taxi drivers was that, unlike some other Government taxes and charges which inevitably go upwards, these premiums are worked out by the Third Party Premiums Committee and relativities are recommended. As a result, medium size motorcycles registered in the metropolitan area secured a reduction in premium of 39.6 per cent. The same category in the country saw a reduction in premium of 48.7 per cent.

The Third Party Premiums Committee and the MAC, with Government endorsement, are telling people that, if the record justifies huge reductions of 30 to 40 per cent, so be it. If the record justifies increases, significant increases will be applied in the recommendations. It is not all up: there are ups and downs in regard to the recommended premium rate increases for the various classifications.

The final point is that taxi drivers and others have a view that this increase goes into the Government's coffers and that the budget benefits. That is not the case, as the member for Hart well knows. That money goes to MAC to help pay out the claims record experience and to ensure, as we hope, that MAC gets closer to the solvency level, which it has not yet reached.

The CHAIRMAN: I remind the Committee that, in accordance with the agreed program, we are supposed to deal

with gaming between 4.15 and 4.45 p.m. I know that members on my right have questions on that subject.

Mr FOLEY: Perhaps with the Treasurer's indulgence we can go past 4.45 p.m. before we move on to ETSA.

The Hon. R.I. Lucas: I am relaxed about that.

Mr FOLEY: I am glad that the Treasurer is relaxed. In terms of my last question, the Treasurer is of the view that anyone criticising the Motor Accident Commission's lack of consultation with industry is wrong. The Treasurer should have a word with the Minister for Transport (Hon. Diana Laidlaw), who under the Treasurer's criteria is wrong. Earlier today in her Committee, when questioned about lack of consultation in the industry by the Opposition through the member for Spence and the member for Peake, two members who have a keen interest in and compassion for the taxi industry, she stated:

In the meantime, I think the Motor Accident Commission would acknowledge that it could have been working more closely with the industry but that is an issue you can take up with the Treasurer and the Motor Accident Commission. They do not report to me.

The Treasurer might like to have a word to the Minister for Transport and point out that she is wrong, given what he said earlier. There appears to be some conflict in the Government's statements.

Will the Treasurer allow the Opposition to be briefed by the Chief Executive Officer and the Chairperson of the Motor Accident Commission to enable the Opposition to fully understand the reasons behind a number of changes? I give the Minister a commitment that the Opposition, as always, wants to work constructively through this legislation to see whether we can reach agreement with the Government. Can such a briefing be held without the usual paranoia that seems to surround Government briefings of the Opposition and without the ever-present notetaking of political advisers? Could that courtesy be extended to the Opposition, given that it was extended repeatedly by former Labor Governments to the Liberal Opposition, as the Treasurer would recall, so that we can get some constructive dialogue between the respective parties on this legislation?

The Hon. R.I. Lucas: The member for Hart to his credit persists in this, but he knows my views and they will not change on this issue. He talks about the constructive days, as he recalls them, but as I indicated to him in a letter which contained a free and frank exchange of views, in my 10 or 11 years in Opposition I undertook all the research as shadow Minister and I recall less than a handful of occasions where I required briefing to understand the position that Government officers were putting to me. His recollection of the days of the Labor Administration, from his position as a ministerial adviser, is certainly much different from my recollection of those days in Opposition.

I am happy to respond that—and I have already done so, as both Minister for Education and now as Treasurer—should a shadow minister adopt a different approach to the one that I adopted (and I am not being critical of that) and seek briefings, I would be delighted to allow that to occur. But it will occur under the guidelines that the Government outlines. If the shadow Treasurer specifically requests that it be a confidential briefing, and if that is agreed to by me—and I believe that on most occasions it probably would be—he has my assurance that any discussion that he has with officers of my department or with one of my agencies will not be used by me in the public-political arena.

If, however, he does not seek confidentiality, as he will know from our recent difference of opinion, he is fair game

and so, too, am I. So, there is a pretty simple rule in all of this: if he wants a confidential briefing, and if it is agreed to, I would be delighted to work with the honourable member. He can have access to departmental officers—or, in this case, MAC officers as well—but it will be on the conditions that the Government outlines, not the conditions that he seeks, from the position of Opposition, to dictate.

Mr FOLEY: The arrogance of the Treasurer and his cockiness on this issue is such that we will just have to live with it. As a former chief of staff to a senior Cabinet minister, I cannot recall at any time sitting in on briefings with the Opposition. We were not paranoid; we trusted our bureaucrats and senior officers to be diligent in their duty. I have been the victim of two episodes now where the Treasurer has chosen to make public contents of briefings that have occurred with his officers, and twice bitten is sufficient for me. However, I will make this point: whatever the Treasurer may have done as shadow Minister for Education, as he has now found—because at one stage I believe that he had 21 advisers to back him up today as Treasurer—the complexities of Treasury are such that it is quite prudent for the Opposition to have access to important financial information on a confidential and constructive basis. If the Treasurer continues to refuse members of the Opposition an environment in which we can feel comfortable in sitting down and obtaining that information I believe that, at the end of the day, the process will fall down.

As the Treasurer has quite arrogantly suggested to the Opposition, we can follow what he did in his role as a shadow Minister and drop down to Parliamentary Counsel and work in other ways. We will do all of that. But there has been a history in this Parliament of Treasurers and shadow Treasurers, where possible, working constructively together to achieve beneficial outcomes for the State. The Opposition will not be dictated to by paranoid Government. I ask that, on reflection, the Government and the Opposition trust each other: then briefings can occur that will be mutually beneficial. But if there is not that trust, the Treasurer's job will be more difficult, my job becomes more difficult and, ultimately, legislation that perhaps in large part could be agreed to will become the victim of politics.

The Hon. R.I. Lucas: The Government's position remains that it is delighted to assist the Opposition whenever it requires a briefing, but it will be on the conditions and terms that have been outlined—conditions that have been accepted, I believe without exception, by all colleagues of the shadow Minister. A number of my ministerial colleagues have highlighted the fact that briefings have been provided under exactly the same requirements that have been outlined—

Mr Foley interjecting:

The CHAIRMAN: Order!

The Hon. R.I. Lucas:—which are evidently unsatisfactory to the member for Hart. Again, all I can say is that, if the member for Hart wishes to have a confidential briefing, he should request it. So far, he has not.

Mr FOLEY: I have.

The Hon. R.I. Lucas: You have not. On the two occasions he has talked about, where both Mr Rann and I went into the public arena with a press release, there was not—

Mr Foley interjecting:

The Hon. R.I. Lucas: Here we go—'Yours went first', was the member for Hart's response.

Mr Foley interjecting:

The CHAIRMAN: Order!

The Hon. R.I. Lucas: That request was not for a confidential briefing, and the member for Hart acknowledges that. There was never any request for a confidential briefing. As I highlighted in the Legislative Council, when a briefing was given to the member for Hart on the issue of the cross-border lease, the transmission lease, relating to ETSA, he went into the public arena with a public statement soon after that briefing. So, in the last Government, he established a process where, after he was given a briefing, he went into the public arena with a press statement. And now, because he was beaten to the punch—or Mr Rann was beaten to the punch—he criticises the Government for having done exactly what he did when he was given information in a briefing.

I am not critical of that because, as I understand it, there was no request from either Party that it be a confidential briefing—and that is the requirement. If the honourable member wants a confidential briefing, that can be the guideline. I would be happy to provide a copy of the Cayman Islands press release to the member for Hart. He went out soon after he had that briefing and issued a press statement on the basis of the briefing that he had been given in relation to the transmission lease.

Mr SCALZI: My question relates to gaming. There is a perception in the community that State Governments throughout Australia are becoming too dependent on gaming for revenue. Will the Treasurer comment on that?

Additional Departmental Adviser:

Mr Bill Prior, Commissioner, Office of the Liquor and Gaming Commissioner, Attorney-General's Department.

The Hon. R.I. Lucas: I believe that the honourable member correctly identifies a common view that is there in the community, and I suppose that that view is fed by some sections of the media and some members of Parliament, who have taken the view that Governments are addicted in some way to gaming machine revenues. I addressed this topic broadly this morning. The bottom line is that a considerable sum of money comes into our State budget from gambling generally—let us not just talk about gaming, but gambling generally. Very few financial levers are left to the States after the High Court decision, after the national agreements on the rate of the financial institutions duties, etc., that we are able to crank up or crank down as the financial circumstances require it.

One of our remaining areas is gaming machine revenue—or gambling generally and gaming machine revenue—and in this budget, as the honourable member will know, we have responded in a particular way to a number of lobbies that came to the Government in terms of gaming machines. We had a very strong lobby from the Licensed Clubs Association, in terms of wanting to reduce the extent of the impost on it as an industry. We are different to virtually every other State in Australia, in that every other State does have a differential tax rate. As I understand it—and the member for Hart is probably in a better position to indicate this than most of the rest of us—when Frank Blevins said that he would introduce the Bill, he did so on the clear understanding that both parts of the industry (the clubs and the hotels) had to come back with a joint position, an agreed position. I am not sure whether it was a requirement that the joint position be equal tax or differential tax, or whether that was open. He said that there must be an agreed position before he was prepared to take it up. The agreed position of both the clubs and the hotels was that there be a uniform tax rate.

As it has transpired, the hotels have done remarkably well in terms of their share of the market; clubs have struggled a bit, which is, in part, a product of their location, size and capacity to generate funds to market, as well as a range of other issues. These changes have brought about a significant reduction for clubs but, at the other end, we have taken a decision to significantly increase revenue from the top end of town in terms of the hotel industry.

Contrary to some recent claims, I am told that 50 per cent of all hotels are on the bottom tax rate and therefore will not have an increase as a result of the structure's bottom tier not being increased. We are talking about a minority of hotels at the top rate being significantly impacted and a range of others which might be in the middle bracket and which are having a reasonable size increase in terms of revenue. Ultimately we will have almost \$9 million in net additional benefit. From the viewpoint of the member for Chaffey and some other country members, we took a separate decision to include community hotels in the clubs' category on the basis that the reason for their being in existence was, in effect, to generate benefit for the community as opposed to private profit.

There has been a significant benefit for the community hotel sector. The member for Chaffey has four hotels within her electorate which evidently fit into that category. All in all, we will have almost \$9 million extra and, as the honourable member knows, that will help to pay for teachers, nurses and police in the much needed area of community services. My only other point, and I mentioned it this morning, is that I think the Government must do a better job of indicating to the community how it uses that money for the benefit of the broader community.

Mr SCALZI: How does South Australia's percentage of revenue from gaming compare with other States?

The Hon. R.I. Lucas: We might be able to produce some figures, but we are probably around about the second highest, or we will be after these increases in the tax rate. Certainly for the hotel industry average tax revenue will be about 43.5 per cent. One other State and one of the Territories might have an average tax hit which is higher than that. One, I think, was 50 per cent. I have been given some information on the comparison of average hotel—as opposed to clubs—tax rates in each of the jurisdictions. On this basis South Australian hotels are the third highest. Queensland and the Northern Territory are higher.

The hotel sector average tax rate for the Northern Territory is 72 per cent—that is very interesting; Queensland is 50 per cent; South Australia's proposed rate is 43.6 per cent; Victoria, 41.6 per cent; and New South Wales, 40 per cent, with an accompanying note that states 'progressive tax structures apply. Maximum rate is shown'. That must be the maximum rate. The same applies to Tasmania with 39 per cent as a maximum rate, and the ACT is the lowest at 35 per cent. South Australia's figure is high in terms of the average tax rate, but there is a balance. As the honourable member will know, even in this room there are members who were and who remain strong supporters of gaming machines, and there are others who are or might have been opponents of gaming machines.

I happen to be one who supported the introduction of gaming machines, and I would do so again if we were voting on it. I know that other members in this Committee have a different view, and I respect those differences of opinion. Whatever happens we need to get the maximum community benefit out of the gaming machine industry. The view is that hotels have done pretty well from the industry, particularly

those at the top end of town. That is not to decry their achievements: well done to them for investing in the industry and, in some cases, taking a well educated punt and borrowing large amounts of money and therefore recouping the reward for their entrepreneurial activity.

South Australia as a whole, in many areas in terms of tourism, hospitality and jobs, is obviously seeing some benefits from that investment. Nevertheless, whatever your view, I think that an increased tax take will allow us to use that for broader community benefit in areas such as education, health and community safety.

Mr SCALZI: Some experts in the industry believe that gaming machines have reached a peak and that eventually the revenue from the machines will decline. When that occurs, how will the Government make up the shortfall?

The Hon. R.I. Lucas: I do not think that there is one consistent view from the industry or from commentators about that issue. Certainly there is a view that the rate of growth that we have seen in the numbers of machines has certainly reached a plateau and that it is likely we will not see that same growth. There are about 10 800 machines, and the growth rate that we have seen over the past few years has certainly declined significantly. We are seeing small numbers. Perhaps some premises with small numbers of machines are adding to them or new outlets in new areas have made applications for machines.

Commissioner Prior has made some public statements recently about trying to track down 800 approvals which have been given and which are not currently in use. That figure of 800 would be in addition to the existing 10 800 machines. Evidently approvals have been given for an additional 800 machines that are not yet in operation.

Mr SCALZI: It is believed by some that gaming machines might have a limited life span of four to five years and that activities, such as Internet gambling, will take over. How well prepared is the Government for that change?

The Hon. R.I. Lucas: I suspect that there will always be a market for gaming machines. The social environment of people going out, having a meal with friends, and enjoying winning or losing a bit attracts the vast majority of South Australians as opposed to the 1 per cent, or so, who have a significant problem. I suspect that that situation will remain. A similar example relates to home video machines and the movie industry. We went through a stage where drive-ins and movie theatres disappeared almost on a weekly basis as a result of the home video business. People said, 'Right, we will stay at home and watch videos.'

That did happen for a while but we have seen an explosion in recent times in cinema numbers in Australia, and South Australia in particular, as people have gone away from the experience of sitting by themselves or with their family at home watching a movie, to the whole social experience of going out on a date or to a movie with family or someone else. Clearly Internet gambling will have some impact, but I do not think that it will be terminal for the industry because of that social aspect. In response to the second part of the honourable member's important question, a huge amount of work is occurring nationally and internationally in terms of how you control, regulate and, importantly from the Treasury and taxpayers' viewpoint, tax the interactive gaming and gambling industry.

A working party has consulted on this issue and the State has indicated broad support for a scheme that does the best we can to try to protect our tax base in terms of interactive or Internet gambling. We had a meeting of gaming Ministers

recently in Tasmania, and it was eye opening to see a presentation from one of the casino operators in terms of home casino gambling. In a very short space of time—about 30 seconds—I managed to spend, in a notional sense, I might say, as a guinea pig, all the credits that had been given to me. I will not say how much it was, but it was very easy to throw the money down the tube on that home casino activity.

Some in the community say, 'All you do is ban it.' The Hon. Nick Xenophon has that view, but I have put to him that that is easier said than done. How do you stop someone in, say, Lithuania or Vanuatu from beaming something over the Internet into your home here in Campbelltown, Burnside or Loxton? There are some very significant issues there. I know that the Hon. Mr Xenophon is in America at the moment—

Mr FOLEY: In Las Vegas.

The Hon. R.I. Lucas: I am not sure whether he is in Las Vegas, but he is certainly somewhere in Nevada at an important gambling conference. From the various press and media reports I know that he is exploring this issue closely, together with the gaming machine industry.

Mr FOLEY: I would like to ask questions about the Casino. Will the Treasurer provide to the Committee now or by the close of business today, if possible, the full salary package details of John Frearson, Chief Executive Officer of the Adelaide Casino?

The Hon. R.I. Lucas: I will take that on notice: it might be a bit difficult to put all that together by the end of business today. We are ever ready to provide information, but I do not have Mr Frearson's package with me. We will comply with the normal requirement of so many days to get that information to the honourable member, if that is possible.

Mr FOLEY: In relation to the Government's decision to increase the tax on the Casino's poker machines and then doing an equivalent reduction in the level of taxation on the gaming tables, clearly the Government wanted to keep it revenue neutral for the sale process but, at the end of the day, how does the Treasurer explain to hoteliers in Adelaide that we have a Casino with some 900 machines not paying the top tax rates on their poker machines, notwithstanding the increase, while we have hoteliers being charged 50 per cent? There seems an inequity in all that.

The Hon. R.I. Lucas: I have already done that, so it is not a question of future discussions. I have had discussions with representatives of the hotel industry and, in broad part, the response is that, first, this was the way it was originally established by a Labor Government—not a Liberal Government—which put the Casino in a different position. I recall the persuasive arguments we had from Labor Ministers and key advisers that the Casino could not be compared with individual hotels, that it needed to be looked at in the context of a place where everyone knew they were going to gamble and not for a meal or a beer. When you went to a casino you went there to gamble, therefore the Casino was a one-off and needed to be treated as such. Indeed, we had a separate Bill and a range of other arrangements developed at that time.

In more recent times that argument has become more apparent, that is, that the Casino is competing with other casinos, although less so in recent times as the Adelaide Casino has got out of the junket market in terms of trying to attract overseas punters, but obviously a fair degree of interstate trade comes to our Casino. My response is broadly along the lines of the view put to me originally by persuasive Ministers and advisers under a Labor Government, which I readily acknowledge I agreed with at the time and still do:

that is, that the Casino is the Casino, it should be seen as separate, and it really is not valid to compare it with individual hotels.

Mr FOLEY: Notwithstanding the wisdom of former Labor Ministers and the Treasurer's own views, I would have thought that the opposite would occur. Given that the Casino is a discrete gambling venue, it is an opportunity for the taxpayer to get a greater return. Will the Treasurer update us as to where we are with the sale of the Casino? Bearing in mind that the Opposition supported the Government's decision to sell the licence and then to put it on hold, will the Treasurer give us an update on that, or are we still in a holding pattern?

The Hon. R.I. Lucas: That is probably the best description. Funds SA is now in control of the process and I am not aware of any significant activity. There always remain some people who would like to get the Casino at rock bottom prices and who are prepared to make offers to take it off our hands, just to help us out of a problem, as they see it. It is certainly not the way we see it. But I am not aware of any significant interest in the Casino at the moment. Funds SA is working its way through a process at the moment, and if I can take part of this question on notice I will obtain some further advice. It is possible that before the close-off of questions for this Committee process I might be in a position to provide a bit more information about the restructuring that Funds SA is undertaking with its assets—not only the Casino but also the Hyatt and Riverside—and how it is structuring to put it in a better position to go through a sale process, whenever the market might make that more appropriate.

Mr FOLEY: The decision by the Government to increase poker machine tax will no doubt be the subject of much debate in this place. In relation to the former Treasurer's decision to do a deal with the hotels some years ago when the Government looked at its first major shift in taxation levels, as we now know the agreed figure between the hotels and the Government was not reached and the Government and the hotels agreed to a .5 per cent surcharge to recover that. The deal then was that that was in lieu of taxation increase. Does the Treasurer think that it is a case of double dipping to be insisting on the surcharge still being paid, given the significant taxation increase that has been put in place?

It seems to me that the hoteliers have a valid argument that the Government ripped up a deal but is still requiring hoteliers to pay a surcharge, particularly given that revenues are now forecast to be upwards of \$170 million and the money keeps rolling in, and particularly given that I have heard the Premier and the Treasurer say on a number of occasions, in reference to Peter Costello's insistence that they still pay for his non-existent black hole, that that is a bit crook. A similar analogy applies here. Why are hoteliers forced to pay a .5 per cent surcharge, given that the Government has ripped up the deal that resulted in the surcharge and that revenue now is exceeding all the Government's wildest dreams?

The Hon. R.I. Lucas: I guess the Government had two options, one of which was to notionally get rid of the .5 per cent surcharge if it wanted to and then increase the new tax rate to whatever might be required—50.5 per cent or 51 per cent—and establish a new tax rate that would recoup the same amount of money. The bottom line is that the Government's budget is predicated on now receiving an extra \$8.9 million or so as a result of all these changes. If we get less than that, we will need to increase another revenue item somewhere else or reduce expenditure in a particular area.

The hotel industry is actively lobbying to see whether the .5 per cent might be reduced.

As I have indicated to the hotel lobby, the bottom line is that, if that were to occur, whatever that would be likely to cost, the Government would need to impose an additional revenue increase somewhere to make it up or impose some further cuts in expenditure to meet the payment. As the member for Hart would know, however you might describe it, the bottom line is that we have factored in a .5 per cent surcharge plus the new tax rates, or, if you want to describe it differently, you could get rid of the .5 per cent surcharge and have higher tax rates, but you would still get the same amount of money. We have factored in a bottom line of what we will get from gaming machine revenue. If we do not get that, we will have to make it up through some other mechanism. I understand the point the hotel lobbyists are putting but, as I have warned them and as I place on notice to the Committee and Parliament, if we lose revenue from somewhere, we collectively will have to put up our hands to make it up somewhere else. It is currently paying for teachers, nurses and a whole variety of other things. We will need to meet that expenditure commitment somehow.

Mr FOLEY: Is the Treasurer suggesting that, should revenue expectations fall short with the current level of poker machines tax, he may consider further taxation increases in relation to poker machines in particular, or is the Treasurer talking about other areas of Government revenue?

The Hon. R.I. Lucas: We would not be talking about the poker machine area. We have budgeted for \$X million with the current tax regime. That is the .5 per cent plus the new tax rates. If there is a shortfall, there is no agreement with the hotel industry to recoup that from hotels and/or clubs. If there is an increase, there will be an increase. This shortfall deal was negotiated between the former Treasurer and the hotel industry in the first year or two where they agreed that, if there were a shortfall, they would recoup it over a period of time. The former Treasurer was generous enough to allow for a long recouping period, and that is what has been entered into. Under the current arrangements—that is, the .5 per cent surcharge together with the new tax rates—if there is a shortfall beneath the budget, there is no arrangement further to impose an impost on the poker machine industry.

Mr FOLEY: Obviously, the hotels would argue that they did meet the surcharge, because in subsequent years the windfall gain to Government had been quite substantial in terms of what was expected in previous years. However, you are not ruling out the possibility that, should revenue fall short of projected expectations in further years or, indeed, should other budget pressures be placed upon your budget, there may be further increases in gaming machine taxes?

The Hon. R.I. Lucas: I do not think I have commented specifically on that issue, but if the honourable member wants me to I would point out that this would be an issue upon which the Cabinet would decide. We have just put down a four year financial plan. The Government's position is that this four year financial plan sets in place the structures that we believe will deliver us balanced budgets over the four year period. I know that the hotel industry in particular is looking for some confirmation of the Government's program over the next four years. I can understand that there is some interest from its viewpoint in terms of its financing requirements and the discussions that it might have with banks about the tax structure for the next four year period. That is an issue that I have taken on board and I will be communicating with the hotel industry over the coming weeks with a response to that.

As I said, my initial response is that we have a four year financial plan which we have set down, and that four year financial plan is based on a tax arrangement for the gaming industry which, together with everything else, will deliver us balanced budgets during that period. I do not envisage any changes during this four year period. Clearly, I am not in a position to influence what future Liberal or Labor Treasurers might do. I am in a position to influence what occurs during this four year parliamentary term, and we are having some sensible discussions with the hotel industry along those lines.

Mr FOLEY: In conclusion, I refer to the sale of the TAB and the Lotteries Commission. Whilst I understand that the Minister for Government Enterprises was feeling as though the Treasurer was stealing the limelight from him in terms of asset sales—and the Treasurer has handed a few over to him—and I can understand the internal pressures, particularly given all the other issues within Government at present with leadership and so on, no doubt you will still have some sort of oversight role in—

Mr Scalzi interjecting:

Mr FOLEY: No, leadership is your problem. Michael felt a little aggrieved that the Treasurer was stealing the ETSA sale process and felt that he needed one or two for himself. No doubt, as the chief financial Minister the Treasurer will have input into the TAB and the Lotteries Commission position. I understand that scoping studies have been received for the sale of the TAB and the Lotteries Commission. When are we likely to see a definitive position from Government on both those Government enterprises in terms of whether or not you choose to sell?

The Hon. R.I. Lucas: The member for Hart is partially right in that I will still have some involvement. I am a member of the asset sales committee of the Cabinet, which includes the Minister for Government Enterprises, the Premier, the Attorney-General and me. The decisions in relation to asset sales will eventually come through that process and, ultimately, be determined by Cabinet. In relation to the question, I would have to take advice. The Minister for Government Enterprises is responsible for the sale of the TAB and the Lotteries Commission. I have been actively involved in the budget process and in the ETSA-Optima sale process. I would need to refresh my memory in terms of any possible time line for a Government decision on the other two assets. I would not imagine that it would be an extraordinarily long time away, but it is probably best that I take advice. If I can add anything more definitive, I will take it on notice and bring back a reply to the Committee.

Mr FOLEY: I am a little surprised, because the management of asset sales has always been the province of the Treasurer of the day in both Labor and, subsequently, Liberal Governments. I was a bit flippant before when I said that Michael's nose was a bit out of joint. I do not expect you to comment on that, but that is the message we get. With respect to the importance of the Lotteries Commission and the TAB sales process, I would hope—and I have every confidence in Mr Bradley that this would not happen—that Treasury is in there not just in terms of the Treasurer being on the committee but in terms of Treasury officers working with the Minister's officers, because an asset sale such as this does need the State Treasury riding shotgun on it.

The Hon. R.I. Lucas: A corollary of my being on the committee is that senior Treasury officers are actively involved in the process at most levels. There is a steering committee which advises the Cabinet committee, and the Under Treasurer is a member of that. Senior officers have

been involved at other levels in terms of the scoping process and the various committees which have looked at the issue. The member for Hart can be assured that there is appropriate Treasury involvement within the process and within the construct of the Minister for Government Enterprises nevertheless having overall passage of the current scoping process.

Mr FOLEY: Why is the Treasurer not handling it?

The Hon. R.I. Lucas: The decision was taken substantially on the basis of trying to manage what is an extraordinarily complicated and complex process for us. It is true to say that Treasurers and Treasury in the past have controlled everything in terms of the asset sale process. We now have a new structure in Government where we do have a Minister for Government Enterprises. Secondly, we are actually going through a process where we were scoping and/or selling six, seven or eight assets. We were not doing one or two at a time but an extraordinary large number.

Given the large number of scoping studies or sale processes that were going on; given also that we had already and very quickly decided to sell our biggest in ETSA and Optima; and given further that we were producing what has been not only a comprehensive first budget but also a four year financial plan, there was a powerful argument to say there needed to be a spreading of the work load in terms of trying to undertake all of these tasks. I am sure that has probably been part of the decision-making process that the Premier ultimately decided upon.

The CHAIRMAN: I take it that we have now concluded all matters relating to gaming, and we will now move on to ETSA.

Additional Departmental Advisers:

Mr C. Armour, Managing Director, ETSA Corporation.

Mr T. Spencer, Executive Director, Market and Regulatory Reform, Treasury and Finance.

Mr P. Greeneklee, Manager, Corporate Affairs, ETSA Corporation.

Membership:

Ms Hurley substituted for Ms Thompson

Mrs MAYWALD: In his press release last Monday, the Treasurer announced that the South Australian Government had accepted NEMMCO's decision that the Riverlink interconnector should not go ahead. I welcome that decision. However, it raises a question in my mind as to the role the National Electricity Market Management Company (NEMMCO), which I understand is headquartered in Sydney and is largely dominated by New South Wales electricity industry appointees, will play or is playing in strategic management investment decisions in South Australia and future electricity assets. In particular, I am interested in what would happen in the future if a South Australian Government decided it was in this State's interest that new investment or new contracts, for example, were different from the dictates of NEMMCO.

The Hon. R.I. Lucas: I can certainly take on notice some parts of that question to provide a more detailed response on the role of NEMMCO. If we take this particular decision, clearly the role of NEMMCO is pivotal. The first point to make is that NEMMCO comprises directors nominated by each of the jurisdictions. They have on occasions pointed out clearly that they are not there necessarily just representing

their jurisdictions, although of course they have a detailed knowledge of their own State that might be involved. Our nominated director is Mr Malcolm Kinnaird who has certainly been tackling his task with much diligence over recent weeks and months.

In relation to the Riverlink decision, clearly NEMMCO's role was pivotal. It had to take a decision as to whether or not Riverlink was a regulated asset, and that basically means that, if it is a regulated asset, certain things can then occur. The costs of it can in effect be defrayed or put in the asset base in terms of the transmission charges, etc. It is obviously therefore a huge factor as to whether or not it is a viable operation. Its decision in relation to this was obviously critical. That is why I will provide the honourable member with further detail.

The question concerning NEMMCO clearly relates to the whole question of a national electricity market. The concerns you have expressed about national bodies would not only relate to NEMMCO but also to the national electricity market itself. Again, I think the honourable member would have heard the debate in this Chamber and publicly that this decision, whatever our views might be, has long passed us by. That is, Governments of both persuasions, Labor and Liberal and State and Federal, at varying stages, have supported our entry into the national electricity market.

There is just no doubting at all that a key requirement of our competition payments is our participation in the national electricity market. I think the member for Chaffey was here earlier today when I indicated the order and magnitude of our competition related payments, which are up to \$200 million per year. In the end, whilst issues like casinos and retail trading hours might be at one level of priority, I do not think there is any doubt from anybody who has had a look at this that the national electricity market is a first order priority issue in terms of competition related payments. If a State like South Australia decided to opt out and not be part of the national market, I do not think there would be any doubt that there would be a very significant financial penalty for the State of South Australia for not participating. There is a range of other arguments in relation to the national electricity market as well.

With respect to NEMMCO and to Riverlink, to summarise, it is pivotal. We have a State nominated director on NEMMCO, and he was obviously an active part of the consideration of this particular decision. NEMMCO will have to take other decisions in terms of managing the national electricity market.

Mrs MAYWALD: Does the decision not to go ahead with the Riverlink mean that it will not go ahead in the future or that it is just on hold at this point in time? If it is a decision not to go ahead with it at all, what options is the Government looking at to provide for the shortfall in peak demand that we are anticipating over the next few years?

The Hon. R.I. Lucas: There are two parts to that question. We are still taking legal advice on the exact detail of the NEMMCO decision. Some have interpreted it as saying it is not to be a regulated asset for a certain period but maybe it could be revisited at some stage later. Others have taken the view that it is more of a long-term situation.

More importantly, the other issue is what the attitude of the South Australian Government will be and—as the honourable member might have gleaned from my press release—given the recent advice that we have taken, the State Government has been reviewing its decision which it made late last year of an in principle support for Riverlink. Indeed,

we had put a point of view that, because of the recent changes and because of the advice that we were receiving, if NEMMCO was to make a decision that it would be a regulated asset, we would prefer it to put on hold its decision whilst we as a State Government finally went through our process of deciding whether or not we still supported Riverlink. As it turned out, clearly NEMMCO had already made up its mind, because it issued its decision pretty quickly. It had given us some forewarning that it was on the way and it had taken a decision that it would not be a regulated asset.

Therefore, there are two parts to that question: first, what NEMMCO's attitude might be but, secondly, and the more critical one from South Australia's viewpoint, what the State Government's attitude might be. NEMMCO, as I understand its decision, has flagged a range of other options. When we resume the debate in the House of Assembly, the Premier will make a broad statement about a range of issues, but I am sure one of the issues that he will wish to address will be this issue of capacity, and it will be an issue of how we see capacity being addressed over the immediate short-term period, that is, over the next two to three years. I cannot indicate anything more at this stage because it is still being worked through, but options include the potential extension of the life of Playford station. As the honourable member already knows from some of the publicity, in some plans it was being counted on its completing its work in the year 2000. However, some of the options explored extend its life for a certain period.

There is also tremendous interest from new entrants in wanting to build new capacity in South Australia and to compete for electricity supply in the South Australian market. For instance, rather than the new connector via Riverlink, some are arguing that maybe the existing interconnector with the Victorian market should be upgraded in some way. The only other point is that obviously we are having a lot of work undertaken through our advisory team. We have a range of views available to the Government from ETSA and Optima regarding what the demand growth will be for these peak periods in the coming summers. I understand—and I have not had a chance to read all the decision; I am told it is quite comprehensive—that NEMMCO commissioned some work on what those peaks might be and that influenced its decision. Obviously, as a Government we are also trying to gather information. We will have a body of information available to us to decide how we might be placed over the next couple of summers.

Clearly it is a critical issue for the Government. If Riverlink is not to continue, we need to ensure that we will not have significant blackouts in South Australia during the peaks that will arise. They have been some of the warnings, and clearly from the Government's viewpoint it will not want to knowingly enter a situation such as that. Therefore, we are taking as broad a cross-section of advice as we can before we make any final decisions.

Mrs MAYWALD: In relation to that distribution and significant blackouts, in Loxton last week 1 200 residents (irrigators and fruit property owners) experienced—as the Treasurer may be aware—a 10 hour blackout which caused considerable angst because in that particular area a number of blackouts have occurred in the past six to 12 months. Also in that area we have a number of developers who, in line with the Premier's food for the future program of trebling our food production in this State by the year 2010, are keen to develop. People living in the areas of Loxton, Pyap and New Residence have been for a number of years experiencing problems

that have not been rectified at this point in time. They are still experiencing flicks of all sorts and sloppy power—I am not sure of the technical terminology. Also a number of developers in that area proposed, for example, to establish 2 000 acres of vineyards. They approached ETSA to apply for power to be connected to the property and, after waiting a number of months for their reply—which matter had to be addressed through ETSA Power—they were then told that it would cost them \$1.2 million to have power connected to their development because a significant upgrade to the substation would be required.

Now we are talking about impediments to new developments in the State, yet ETSA has a policy that it is just too bad: \$1.2 million is the cost and that is it. This particular developer has now completely changed his whole plan and strategy. His equipment has changed and he has now had to look at how he will run his business to enable him to continue with the project. Right next door is another property of 300 acres—a \$600 000 impost on the same line to get power to the property right next door. As the Treasurer would appreciate, developers are very angry. They are not well advised about ETSA's change in policy regarding augmentation charges which can be significant and which, in instances such as the example of the \$1.2 million, would make it cost prohibitive for that development to go ahead. What are the plans for ETSA in relation to development, and is ETSA working in conjunction with development and the State's overall plan for development of horticulture and food for the future?

The Hon. R.I. Lucas: We do not have any immediate detail with us and I certainly do not have any immediate detail on the first issue raised by the honourable member relating to the 10 hour blackout at Loxton. I am happy to take that on notice and provide a reply to the honourable member and the Committee as soon as I can. In relation to the development issue again, unless Mr Armour has something in particular, I am not aware of the detail of the issues that the honourable member has raised in terms of augmentation costs and the \$1.2 million example. Perhaps if the honourable member is prepared to provide me with any further detail of the issues she has broadly canvassed in the Committee this afternoon—and quite properly—I will undertake to have the matters considered and come back with a response. At this stage, not being aware of the detail to which the honourable member has referred, I cannot offer anything other than one general comment.

The issue confronting Governments in the future with a national electricity market and with the application of the competition principles and the pricing policies, which will occur as a result of the national market—and obviously it is happening under a publicly owned utility now as we move into a national electricity market—is separate from the issue of whether or not it is publicly or privately owned. Once we are in the national electricity market with the competition principles applying, many of the things which have occurred in the past will not be able to occur in the same way in the future. Certainly from discussions I have had in Victoria, their early thinking is that if Governments want to support industry in the metropolitan area or in a provincial city—or regional development in this case—they will need to look at the overall development package and they may have to look at the issue of the cost of electricity as part of the overall incentive package if they want a particular industry.

In the past, Governments have traditionally looked at payroll tax, land tax, training costs, and leasing costs for a

building. They have been the traditional incentives. It may well be that in the future with a national electricity market, which will be fully fledged after the year 2002, Governments will have to look at the way they provide industry incentives. We are already seeing examples of the competition principles in the national market and the need for either publicly or privately owned businesses to compete with others in the national market, which is one part of this pricing policy.

If Governments want an industry to develop in a particular location it might be that, instead of or in addition to the additional incentives of payroll tax or land tax, they have to be upfront and transparent and say that they are prepared to assist in the establishment of an industry by getting the power on in a particular regional community. In that way the cost is transparent. It will be quite apparent what assistance Government and taxpayers are giving to a particular industry, whereas in the past under a monopoly market the operator has absorbed the costs in one respect but obviously spread the costs over all the taxpayers in another case, that is, everybody pays for it via their electricity charges.

If the Government upfront pays for the incentive, it is still the taxpayers who pay for it, but they will pay for it through other taxes and charges. Ultimately the cost comes back to the people of South Australia more broadly, whether they do it through some sort of cross subsidy within an electricity supplier or whether they do it wearing the hat of taxpayers through higher general taxes and charges to pay for some sort of transparent incentive to allow companies to establish.

I know that in my neck of the woods in Mount Gambier, when Fletcher Jones established, the Government of the day, which I presume was a Labor Government, offered the company an attractive package of incentives. It may well be that there needs to be a rethink by Governments of the sort of issues that the honourable member has raised. In addition to looking at the issue now, I undertake to take up the issue with the Premier and the Minister for Industry and Trade, because this will be a key issue and he is the one who hands out the incentives to industries through his department.

Mr FOLEY: The Government has really made a botch of Riverlink. That is the problem that we in the Labor Party have with this Government. Even though we might have great philosophical differences about particular processes, we dearly hope the Government gets it right. I recall that, with the water contract, whilst we had strong opposition to its policy position, we at least hoped that the Government would have got the process right. It has been a litany of woe, with one embarrassing fumble after another. It was a highly questionable outcome, quite frankly.

We hoped that, with ETSA, the Government would get some professionalism and good processes in place but, just weeks into the process, it is already being botched up. That does not surprise me but I hoped for a better outcome. In this House only a matter of a few weeks ago, the Premier said in reference to Riverlink:

... you have Riverlink to meet peak load demand in 2001 and 2002—and that is a better option than further generating capacity in South Australia. . .

That was 25 March, about 10 weeks ago. Something happened between then and now. Cabinet's decision on 22 December last year, or perhaps even the year before, was poor public policy because the Government brought in its key advisers and they have realised that the Government has caused significant problems for Optima. The evidence of representatives of Optima Energy to the Economic and Finance Committee was that they saw Riverlink as reducing

Optima's value, be it in public ownership or private ownership. It was only ever going to be a one-way street. The likelihood of sending power back up the Riverlink would have been nigh on possible.

How did you bungle it, Treasurer? It may not be the Treasurer's fault because he inherited the portfolio. I do not want to cast aspersions on him because, notwithstanding our odd *tete-a-tete* of late, I have great confidence in his ability and perhaps it is with him that our faith rests. The Premier, as with the water contract, really did botch it, and he has done so on a few other things concerning electricity. What happened?

The Hon. R.I. Lucas: I reiterate my response to the member for Chaffey's question. The simple fact is that NEMMCO took a decision that Riverlink would not be a regulated asset. Even if the Government had not changed its position—and the extent of the correspondence was that we were reviewing our decision—NEMMCO as the body set up by all the jurisdictions took a decision that it was not to be a regulated asset. The Government could have still been charging away saying that it did not want to reconsider Riverlink, that it was still 100 per cent in support of Riverlink, even though as the member for Chaffey would know environmentalists in her area were concerned about the pathway, and Optima had concerns about Riverlink, as did a range of others. We would still have got the same response from NEMMCO.

NEMMCO did all its work, it listened to all our earlier arguments about Riverlink and came to the conclusion for reasons that it outlined in many copious pages that it did not accept the arguments for Riverlink. I understand the spin that the member for Hart is putting on it, and I am sure that if I were in Opposition I would do the same thing. I am not unduly critical of the member for Hart for adopting the traditional Opposition response. The brutal reality is that NEMMCO took a decision. I have not read all the copious pages, but NEMMCO said in its report that there will not be a peak problem in 2000 and 2001 in South Australia.

As I said in response to an earlier question from the member for Chaffey, it is a critical issue as to whether we will have a problem in 2000-1 and, from the earlier advice, in 1999-2000. That was part of the reason driving the Government. I was part of that decision-making process, so I do not absolve myself of any responsibility even though I was not the Minister directly responsible. We took a decision based on the advice we had that we would give in principle support for Riverlink because no Minister wants to be responsible for significant blackouts in the summer peak in February and, now that I am Minister, I am even more firmly of that view. That concentrated the minds of Ministers last year when we were debating the notion of potentially having problems in 2000-1 and perhaps 1999-2000.

For those reasons I can understand the Government's process as to why we took that decision. NEMMCO has now taken a different decision. It disagrees with the assessments about peak load demand in 2000-1 and in the summer of 1999-2000, and at this stage that is the end of it. At the same time, the Government, having obtained other advice as well, was reviewing and reconsidering its position, and it was potentially heading down the same sort of path as that of NEMMCO. As I said, that is largely academic, because NEMMCO came out with its decision and said that that was the end of it. That is where we are and, from my point of view, we will do our best, in the new circumstances, to manage the process. The honourable member, as a member

of Parliament, will be sooner rather than later privy to the in principle decisions that the Government will be taking about the shape and structure of the industry and supply issues.

Mr FOLEY: The more politically cynical side of me—and, as the Treasurer knows, I am not—would suggest to the member for Chaffey that it might also be a bit of a sop to you for your vote, come the Bill. But we will wait and see how that one pans out. Just remember what the issue did to the Nationals in Queensland.

I move on to dividends—and this gets to the issue in respect of what we expect to get from ETSA by way of income and profits and distributions. Table 6.16 on page 6.17 of the Budget Statement, Budget Paper 2, discloses that, for the next four years, there are estimated revenue returns from assets grouped together from public trading enterprises. I do not wish to necessarily get into debate about the black hole—we had a bit of argy-bargy on that earlier and the Treasurer, in his very capable way, was able to put his political spin on that one. Putting that aside for now, we see, in 2001-02, the sum of \$391.4 million from commercial public trading enterprises, including ETSA and Optima. We really do not see much change: there is a bit of a rise, then a bit of a decrease—obviously taking account of expected reductions in dividends and profit flow from ETSA and Optima. Will the Treasurer break up the ETSA and Optima components of that table?

The Hon. R.I. Lucas: We have separate documents in various briefing folders relating to ETSA and Optima. Over the dinner break—given that we are revisiting this whole area after the dinner break—we might amalgamate those and provide a breakdown for ETSA and Optima. I give an undertaking to do that straight after dinner.

As a general comment—and we have had this discussion before—in terms of what the Government has done for planning over this period, there were some complicated issues in terms of how the Government produced its four year financial plan. The Government is obviously intent on selling ETSA and Optima: however, it does not currently have permission to sell them. Whether people accept the Government's argument or not, the Government will argue—and, as Treasurer, I will put my name well and truly on the line—that there is no mysterious black hole. There is this lump of money and, right from 22 December, when I first took to the meeting of Ministers on 22 December last year the four year financial plan and some of the things that we would have to do (on my judgment) there was a significant component in our budget task and planning for the asset sale premium.

I can say to members—those who want to take me at my word; those who do not can suit themselves—that right from 22 December, when I first took to the meeting the broad framework of what we had to do for the next four years—and it was not necessarily an entirely pretty sight, given the revenue increases, the expenditure reductions and the asset sales—I flagged the notion that we would have to look at a whole range of assets and go through that process. There has always been in our planning this very significant premium, and we knew that if we did not get this net benefit to the bottom line from some significant asset sales—and at that stage we obviously had to do some pretty hard work over December and January, as has been indicated previously, in terms of looking at what that might be—we would have to find that money from somewhere else. That is revisiting the issue (the up to \$150 million about which we talked earlier), but I indicate that it has been a significant component all the way through.

In terms of our factoring in of these budget papers, one of the difficulties was the issue that we addressed earlier: do we have something that identifies it? We took the view that we could not, for the reasons that I have outlined, and I will not revisit that. We netted it off against outlays, so that it could not be made readily apparent, but I assure members that it is in those tables and reconciliation statements. Then we had the dilemma of what we should do. We have a couple of sets of tables. We have our net debt tables, which show us as having debts of \$7.3 billion and staying pretty close to that over the four years. We have a separate table, obviously, where we believe that that will be significantly reduced. Do we put into our budget papers for the four year out estimates what we believe the net debt will decline to and, therefore, a whole range of tables, such as net debt to GSP, and things such as that?

Similarly, we have the dividend streams from ETSA and Optima, which are included in the table to which the honourable member has referred. In the end, we felt that the only decision we could take was that, as there had not been policy approval for the decision, in the net debt table we could not include the benefit of the sale of ETSA and Optima, and therefore see that significant decline. Therefore, similarly, when we did the dividend flow from the GBEs, we had to leave in the forward estimates that we had received from the particular companies for their dividend and income tax streams to Government. So, the only accounting for the asset sales has been done in table 2.5 and some of the other accrual tables in other parts of the budget document, which also have similarly netted off, in particular, in our out years, this up to \$150 million of net asset sale premium that we have.

Our accounting within the budget documents has been limited to those reconciliation statements. We have been faithful to the view in respect of the others, such as the total State debt and the dividend flows, to the position that we currently have not solved them and therefore we must leave in those tables the projected dividend streams and the fact that we have not sold the assets. That has left us in the situation where—and I can understand the Opposition's viewpoint and its attack—because it is not explicitly there and because we have included dividend flows over four years in some way the budget is still balanced. It is not. Let me assure members that without the asset sale premium it is not a balanced budget position.

We have had a close look at what we believe the dividend stream will be for this year, 1998-99. We are obviously hopeful that, during this period, we will have approval for the asset sale process; that we will have got ourselves well and truly into the sale process for some of our assets, depending on the sequence; and that we will be in a better position, although there will still be some difficulties in next year's budget, to look seriously at these dividend streams. All we did was to have a good hard look at the 1998-99 dividend flow, and we accepted for these paper purposes the dividend flows from the companies in the remaining three years.

It will be no surprise to members to know that the Government has a more conservative view in relation to the impact of the national market on the dividend streams of ETSA and Optima, in particular, than do the board and senior management. That has been canvassed by the Premier on a number of occasions and, indeed, has been canvassed by me. In terms of this table, we have in the out three years just recorded the dividend estimates of ETSA and Optima. As I said, we are hoping not to concern ourselves as a Government

with dividend flows coming through; that we will be into a sale process; and that in those out years, in particular years three and four when it does become critical, our budget papers will not have a dividend stream section.

The CHAIRMAN: In asking the member for Hart for his second question, I might remind the Committee that it is my intention to break for dinner at 6 p.m. The honourable member may wish to ask a question and have the answer provided after the dinner break, or the Treasurer may wish to respond quickly, or we may go to dinner now. I think probably going to dinner now is the more attractive option.

Mr FOLEY: The Treasurer's responding quickly would be a wonder. Having just said that I would not rehash the issue of the black hole, and after listening to a somewhat complicated response from the Treasurer for 10 minutes, I feel compelled to take him up on a point or two. I will revisit this issue after dinner but the Treasurer has his spin and I have my spin. The figures can be fudged but I hope that, at the end of the day, the Treasurer is not seriously suggesting that the quality of our budget documents are such that there is something floating all the way through that represents \$150 million: that it is not really there but it is factored in, discounted, netted off, or whatever.

Budgets and forward estimates can be developed only on the existing parameters which are simply that these assets are in public ownership. I look forward to the Treasurer's response after dinner, because I want to know what the dividend situation is. The Treasurer just said that he does not accept the board's suggestions and that he has been more conservative. I can understand that, but we will see what the budget papers say about that. With respect to the sale price—and I will revisit this issue after dinner—the Treasurer is at pains to tell us, 'We do not want to flag to the markets what price we are expecting.'

I am a bit of a novice, obviously, when it comes to major asset sales, not being in the Treasurer's position, but I would have thought that the great power companies of the United States, the United Kingdom and Europe would have a fair idea of the value of these assets and the premiums that they are prepared to pay. I am not sure that numbers talked about by the State Government would factor any great moment into their thinking. The Treasurer has actually done it himself. He has mentioned a figure of up to \$150 million. If one took the dividends expected from Optima and ETSA, discounted them a bit for competition and whacked in \$150 million, one could come up with a figure of \$6 billion.

I think that it was a bit of clumsy politics at the time. The Government would have been better off not running the political tactic of scaring us all with a potential budget black hole and significant taxation impost in October. Any way, that is your call, but I think that this nonsense that you do not want to tip off the market is really that—nonsense. If you are so concerned about it, you would not have mentioned figures such as \$150 million when you did. They are a few brief comments. The Treasurer might want to respond now or after dinner.

The CHAIRMAN: I am fearful that the Treasurer's response might take at least 10 minutes. I intend to break for dinner.

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

Membership:

The Hon. M.D. Rann substituted for Mr Wright.

Additional departmental adviser:

Mr R. Morgan, Chief Executive Officer, Optima Energy.

The CHAIRMAN: Prior to dinner the member for Hart had asked a question of the Treasurer, and I ask the Treasurer to respond.

The Hon. R.I. Lucas: Prior to the dinner break there was a question about the breakdown of one of the tables of the dividend stream from Government enterprises and what component of related to ETSA and Optima. I advise the Committee that, taking the dividends and the income tax equivalent stream, not including wholesale sales tax, the table would incorporate a figure of 193.6 for 1998-99; 212.4 for 1999-2000; 191.4 for 2000-1; and 211.1 for 2001-2. As I indicated prior to the dinner break, the Government obviously takes a more conservative view than do the boards and management of ETSA and Optima.

However, as I also explained before the dinner break, for the sake of this table the Government has accepted for the out years the estimates of dividend and income tax that have been provided to us by ETSA and Optima. As I said, if we were to be still in public ownership of ETSA and Optima, in particular in those out years, our view is more conservative and on our advice we believe it might be at a lower level. In supporting that, I want to refer to a statement made by Mr Foley on 18 June last year, during the Estimates Committees, as follows:

I remember that statement and I wonder whether Cabinet ever reflects on those comments. The issue this now raises is that ETSA and Optima Energy, in particular, are required to compete under the national electricity grid, with the clear ramifications of competition policy in the area of electricity. I would have thought that the ability for ETSA and Optima Energy to continue to pay the sorts of dividends they have in recent years would come under some stress, in terms of the need for ETSA and Optima Energy to meet their competition head on, the need to retain capital for investment and their ability to generate recent levels of profit or at least a return on assets.

I can say that I broadly agree with the view of the shadow Treasurer as expressed last year.

Mr FOLEY: I will stand by it.

The Hon. R.I. Lucas: Mr Foley says that he stands by that statement. That is the Government's position, that there will certainly be an expectation that we will not be able to maintain the same level of dividend flow from ETSA and Optima under the cutthroat national electricity market that we are entering at the moment. The Government's position is that we are hopeful that we will be well into a sales process and, when we get to years 3 and 4 in particular, we will not be requiring a similar table in our budget papers because by then, we hope, the assets will have been largely passed onto private sector owners.

Mr FOLEY: In clarification, the figures the Treasurer gave me then are dividends and income tax equivalents for both ETSA and Optima?

The Hon. R.I. Lucas: Yes, the aggregate figure for ETSA and Optima for the out years, as distinct from 1998-99, as provided by the companies themselves.

Mr FOLEY: What is in the Treasurer's budget? Are the figures in table 6.16 the company figures or the Treasurer's figures?

The Hon. R.I. Lucas: They are the company figures.

Mr FOLEY: The Treasurer has said to me that he takes a more conservative view than the companies, but for his budget he has put in the companies' figures. Therefore, the companies' figures become the Treasurer's figures.

The Hon. R.I. Lucas: No, for planning purposes, as I said—

Mr FOLEY: Why would the Treasurer not have published his own figures in that, rather than the companies'?

The Hon. R.I. Lucas: Because in our out years, years 3 and 4, we are not expecting to have a dividend stream from ETSA and Optima, since we hope we will have sold ETSA and Optima.

Mr FOLEY: This is a very important point and goes to the crux of the budget. The Treasurer has been telling us, in a muddled way, I might add, about this \$150 million black hole. He has been telling us that these dividends are in there but that the Government has worked on more conservative figures for its \$150 million black hole. How can the Treasurer put company figures in his budget that he does not personally support? The minute that has gone to print under his signature as Treasurer, they are his numbers. The Treasurer is now confident that those numbers can be achieved.

The Hon. R.I. Lucas: No, as I have stated a couple of times, the honourable member misquotes what I have said to him and to the Committee. In this table that we are talking about, table 6.16, those figures incorporate the company figures. In terms of what we are doing by netting off against the outlays, the Government has made a calculation of the interest savings on what we might get from the sale of our assets against what the Government believes the dividend flow might be. The question that the honourable member has put to me relates to table 6.16 and he has asked for the breakdown within that table. Just to refresh the honourable member's memory, equally on the equivalent table on net debt to the State over the next four years, the Government has included in the net debt figures no assumption or calculation about a reduction because of the sale of ETSA and Optima.

In those individual tables we have continued to work on the basis that, obviously, we have not sold ETSA and Optima. In terms of working out the reconciliation for our out years, we have netted off against the outlays our judgment of the sales value, the interest savings and the dividend flow. That is the up to \$150 million that we will have to find through some other mechanism, such as increased revenue or expenditure reductions, if we are unable to sell ETSA and Optima.

Mr FOLEY: Treasurer, you have now shot a complete hole in your arguments for an October mini budget. You are now telling us that on table 6.16 you include the company's dividends. On your net debt table you include the company dividends; but on this magical reconciliation statement you have not netted off the company figures: you have netted off your own conservative figures. You are now talking about two or three sets of numbers to suit your argument. You are not showing any consistency. You are using company numbers in two tables, but in the reconciliation statement where you say you have netted off this magical number, which does not appear anywhere in the reconciliation statement, you are now telling us that, no, you used another number that was your own conservative estimate of what were the company numbers. Treasurer, there is no black hole. Basically, in order to sustain your political argument, you have admitted tonight that it is a fudged set of numbers.

The Hon. R.I. Lucas: Let me assure the shadow Treasurer, should he persist with that view, that come October he will

have to put his hand up or down for increased taxation or reduced expenditure if the sale of ETSA and Optima does not go ahead. I refer the honourable member to a number of statements I have made on Channel 2 with David Bevan and to a number of other public statements at about the same time where the statements I have made this evening have been made publicly as well. The Government has been absolutely consistent in its public statements in relation to this issue of how in the budget papers we have accounted for the asset sale premium as we call it. We have explained *ad nauseam*—and I have done so again this afternoon—why we are not prepared to put in a separate budget line for the asset sale premium.

It does not matter how much the honourable member huffs and puffs: the Government will not put in a separate budget line to indicate the extent of the asset sale premium. We have said that it is up to \$150 million, and it will obviously be contingent on the sale price and a range of other issues in relation to what the Government is able to collect for its assets.

Mr MEIER: A lot of questions have been asked and comments made in relation to the financial aspects of the proposed sale of ETSA and Optima, but I direct my question along environmental lines. What environmental issues are being considered as part of the electricity reform and sale program? Will the Treasurer advise the Committee of any environmental achievements or contributions made specifically by Optima Energy in the environmental area in, say, the last 12 months?

The Hon. R.I. Lucas: In a moment I might ask Mr Morgan to address specifically some of the issues in relation to Optima. Certainly, there are a number of challenges for our electricity industry whether it continues to remain in public ownership or is privately owned as the Government has outlined. There are a number of issues in relation to air emission standards for some of the plants that will need to be considered. There is the temperature of the water in the outlet areas near Port Augusta and Torrens Island. There are a range of environmental issues that the Government will need to address in terms of the sale process.

Another issue is of great importance to the Government and to a number of others interested in the environment, namely, the view that has been put to the Government that ETSA previously and ETSA Corporation more recently have been active in relation to solar energy and wind energy. Mr Armour might be able to inform us of the big event on Friday in terms of Wilpena and the solar plant project.

That is obviously an issue, if we move into private ownership, in terms of how we can continue to ensure that there is continuing expenditure and research and development involving alternative energy sources. Given the Commonwealth Government's agreements at Kyoto in terms of greenhouse emissions, that is important. We will have to be mindful in relation to that. The Government is spending some time with its advisory team in looking at the work that ETSA and Optima are undertaking in this area and others to see how under a private industry structure we can ensure that we have as good an environmental package as we are able to put to the broader community. I will ask Mr Armour to talk about the existing initiative at Wilpena as one example of what ETSA has been involved with. If there is anything in particular that I have not addressed in terms of Optima's performance, I will ask Mr Morgan to comment.

Mr Armour: In 1996 Cabinet approved the connection of Wilpena to the electricity grid via a 33 kV line extension from Hawker, a distance of some 53 kilometres. We did a

joint study to indicate that an alternative to the grid connection might be to establish a solar-assisted diesel-powered power system in that area. It consists of three diesel generators with a combined capacity of 500 kilowatts, 100 kilowatts of photovoltaic modules and 400 kilowatts of battery storage, which we could do for approximately the same cost as the extension to the grid connection.

In June 1997 Cabinet approved the proposal, and ETSA received an up-front payment of \$2.5 million from the Government to contribute towards the cost of what will be the biggest solar photovoltaic cell development in the southern hemisphere. That is due to be launched officially on Friday. I am pleased to report that the project has gone ahead and has been completed on time and within budget. I am confident that it will provide not only much needed power in that regional area but a great demonstration of how renewable energy can be a tourist attraction as well as an appropriate development in remote regions.

Mr Morgan: I refer to some of the key environmental management issues for Optima, particularly in terms of the way ahead and by comparison with other components of the electricity industry. One of the major advantages in terms of environmental matters is the fuel mix that Optima Energy's power stations use. In South Australia it is a mixture of coal from Leigh Creek and natural gas from the Cooper Basin. There are major environmental advantages to greenhouse gas emission from natural gas. It is likely that any future development for new generating capacity in South Australia would also be based upon the environmentally friendly fuel, natural gas. It is also likely to incorporate the latest technology plant, a combined cycle plant, which has efficiency levels as high as 50 per cent better than currently installed technology. Again, that is a very significant environmental contribution.

Another component of the greenhouse challenge that Optima is undertaking is to review the efficiency of conversion in all our generating plants from whatever source of fuel, and make sure that all plants, whether it be Playford, Northern Power Station, Torrens Island, or the gas turbine peaking plant, are maintained in the highest operating standard condition that they can so that the conversion of fuel from coal and natural gas through to electrical energy is as efficient as it reasonably can be. They are the major elements of our program.

Mr MEIER: Following on from the solar energy that has just been identified, how is wind power generation proceeding in South Australia? I have asked questions in a written form from time to time because constituents of mine, particularly those living on Yorke Peninsula where we seem to be blessed with the amount of wind that we have, have often suggested it. Having had the opportunity to visit the wind farms in California and also seeing the large individual power generating windmills in Europe, it often occurs to me that South Australia could possibly capitalise more on the wind than we do. Could we have an update on the latest developments or thinking in terms of wind power?

The Hon. R.I. Lucas: I will refer that question to Mr Armour. Perhaps to wrap up the earlier question very quickly, because I know that you, Mr Chairman, will be very interested and excited at some of the initiatives the Government is currently considering in relation to the sale process, I will cover these particular areas of environmental management. Whilst I am not in a position at the moment to publicly indicate the Government's position, because clearly at this stage it has not been concluded, certainly a number of the ideas and initiatives which will be considered by the

Government in the very near future are what I know to be very exciting. With your interest and background in the area, I know that you, Mr Chairman, will be equally delighted to see the State Government and the new electricity industry pursuing full bore some of these initiatives. I will refer the member for Goyder's question on wind to Mr Armour.

Mr Armour: There are two current projects in the offing in South Australia. One of them is a privately sponsored project in the South-East region about which the honourable member may have read something in the newspaper. This project is in the Mount Gambier/Millicent area. I cannot tell you too much about that because it is privately sponsored. The second one relates to the demonstration project which we had undertaken at Cape Jervis over the last two years. A pilot project was running there to test the feasibility of wind generation in South Australia, sponsored by ETSA. That has been quite successful, but the economics of that project are such that wind power, as far as ETSA's determination is concerned, is still a considerable disadvantage compared with fossil fuels for generation purposes.

Development from that, and I suspect the one in the South-East, is somewhat on hold pending an announcement by the Commonwealth Government as to what it wishes to do in relation to greenhouse gas and the sorts of incentives it may provide following the Kyoto conference.

Mr MEIER: I would like to pursue the environment aspects further but, because of the time, I will move onto financial aspects. How will the sale of the major assets of ETSA and Optima fundamentally change the financial position of this State?

The Hon. R.I. Lucas: There are two broad areas in summary. I will not go through all the detail. The first is clearly in relation to debt. This State has languished with its AA credit rating for some time now. We believe we have a very strong chance of regaining our AAA credit rating if we can do two things: first, convince the credit rating agencies, Standard and Poor's and Moody's, and in the next two weeks representatives of Standard and Poor's will be here doing their annual assessment. We have to convince them first that we have a sustainable four year budget which brings to account in an accrual sense all our costs, and that we are balancing and managing it. Secondly, if we can successfully achieve our sale of ETSA and Optima, they have already indicated in their most recent statements that that would be viewed favourably by the rating agencies.

We will be arguing very strongly that, if we can sell ETSA and Optima, and we have demonstrated our capacity with this four year financial plan to maintain a balanced budget, there is no reason why we should not regain our AAA credit rating. I will not go into detail on the second point because we have had some discussion about that this evening. Members need to understand clearly that we have, in our out years in particular, up to \$150 million in terms of asset sale premium. If we do not get the asset sale, we will have to increase revenue or reduce expenditure significantly.

In terms of orders of magnitude, the expenditure reductions or portfolio savings that we announced in this budget were \$146 million in the out years. Members were aware of some of those savings, such as 550 public servants (including up to 90 to 100 teachers), 30 school closures, and a range of other program reductions and expenditure cuts to factor up to some of that \$146 million in portfolio savings. On the other hand, the ballpark figure in the out years is fairly close to \$100 million to \$150 million in revenue increases that we have announced. That gives you an order of the magnitude.

People have complained about the relative severity of the imposts or reductions we have included in this budget. We would have to do another up to \$150 million worth of some mixture of both in that coming mini budget. It is significant, particularly when we have been able to target our revenue increases in a way which will cause least possible damage to our employment creation prospects over the coming 12 months. We have not touched payroll tax and a range of other very important taxes and charges in relation to business and industry. Even with the changes, we will still be about the third lowest taxing State or Territory per capita in terms of our State tax collections. We are about \$130 per head less than the national average. If we have to add another \$150 million worth of tax increases, clearly that will be a significant impost and we might not be able to keep it away from some of those employment creating areas, such as payroll tax or something along those lines.

The Hon. M.D. RANN: When we had our briefing about ETSA, I know that the Treasurer was very keen to be open and honest about the ETSA sale process. The Premier has told us that one of the reasons for the Government's breaking of the pre-election promise not to sell ETSA was the \$97 million write-down, and that you only became aware of that after the election.

As we have subsequently found out, the Deputy Premier was briefed on the matter frequently, starting with the separation steering committee report of December 1996. Will the Treasurer confirm that the separation report comprised two volumes by Arthur Anderson, plus three volumes by the legal firm Thomsons; and will he provide the Committee with these documents, together with the minutes of the separation steering committee, in order for us to have a more accurate assessment of what is going on, given his open and honest approach?

The Hon. R.I. Lucas: I am always happy to be open and honest to the greatest possible extent for the Leader of the Opposition and obviously will always continue with that general approach. No, I cannot confirm that it comprises the volumes to which the Leader of the Opposition refers. So I am not aware of that, if that is the case: I certainly cannot confirm it.

The Hon. M.D. Rann interjecting:

The CHAIRMAN: Order! The Treasurer will determine whether or not other advisers should respond.

The Hon. R.I. Lucas: Mr Chairman, I will take advice on whether or not it did or did not comprise various volumes. For a number of reasons, I recently had cause to read the report. Obviously at the time, many years ago—whenever it was—I was not the Minister responsible for ETSA and Optima and I was not part of the Cabinet committee process, or whatever other process was involved. Therefore, I cannot speak with any degree of intimate knowledge of the time at all, other than obviously in the end anything that went to the full Cabinet came across all our desks. No, I cannot confirm whether or not it comprised various volumes and reports.

The Hon. M.D. Rann interjecting:

The Hon. R.I. Lucas: Perhaps it did not.

The Hon. M.D. RANN: You just said it did—perhaps it did not.

The Hon. R.I. Lucas: I said 'if anything came across our desks'—

The Hon. M.D. RANN: No, you did not say 'if'; you just added the 'if' afterwards.

The Hon. R.I. Lucas: I said, 'If anything came across our desks as a Cabinet Minister, then clearly I would have been

in a position to see it.' As I said, for a number of reasons I recently looked at the report and there were not five volumes or whatever else it is that the Leader of the Opposition said, but I am not indicating that at some stage it might or might not have had other volumes attached to it along the lines the he indicates. I am prepared to take some advice on that and see whether there is anything more useful I can add to the response I have given tonight.

It is a good try by the Leader of the Opposition, but he will know that the Premier—consistent with his response in the House and possibly even again yesterday; and I am not sure whether the matter was pursued with him yesterday—has indicated that this Government (or indeed previous Governments) is not in the position of publicly releasing Cabinet related documents on these issues, or indeed Cabinet committee minutes, if that was the second part of the Leader of the Opposition's question. Certainly we will not be providing Cabinet committee minutes or Cabinet documents.

The Hon. M.D. RANN: I have a supplementary, given that I have been gracious enough not to grace this Committee today until now. The Treasurer says he has nothing to hide about the ETSA sale, but I understand that it is certainly proven in the Arthur Anderson report that the Government knew of all the problems associated with the cogeneration deal well before the last election. In fact, I understand that Mr Armour (and others)—despite trips to Canada and so on—had warned the Premier in his previous role about the risks involved with the cogeneration deal. I doubt whether the Treasurer will release the Arthur Anderson report because it will show that the Government knew of the problems associated with the cogeneration deal well before the last election. Page 12 of the Arthur Anderson report states:

ETSA Corporation is currently investigating the accounting treatment alternatives associated with potential loss contracts associated with franchise customers, Pasminco, Dump Gas and the Penrice Limited Cogeneration project. We are in the process of responding to the organisation (ETSA) regarding our view of these matters under separate cover.

Will the Treasurer provide a copy of this report under separate cover for the assistance of this Committee?

The Hon. R.I. Lucas: My response to that is the same as the response to the original question; that is, first, I am not aware of it and, secondly, if it is a document that has been part of the Cabinet process, the Leader of the Opposition knows the Government's response.

The Hon. M.D. RANN: Through a similar exercise with the water deal I was able to get hold of those documents, and I expect to get hold of some of these.

The CHAIRMAN: The Leader will ask his second question.

The Hon. M.D. RANN: A few weeks ago the Deputy Leader, the member for Hart and I attended a briefing in the Treasurer's office about the legislation to sell ETSA and Optima. At that briefing we asked a number of questions which again could not be answered—not because of the confidentiality of the information that we requested but apparently because Treasury officials and the Treasurer simply at that stage did not know—and the Treasurer said he would endeavour to find out. I am hoping that since that meeting the questions we raised have been explored and answers found. I now put those questions again.

At what price does the sale of ETSA and Optima become either budget positive, budget neutral or budget negative? Who would be liable—would it be the Crown or the purchaser—in the event of an Ash Wednesday type bushfire or

Auckland style power blackout, under a privatised ETSA? Why has the Government sought to retain liability under its Bill to sell ETSA? At that stage the Treasurer said he did not know the answers to any of those questions.

The Hon. R.I. Lucas: Naturally I am a very cautious Minister and I certainly wanted to take considered advice and, not being a lawyer, I wanted to take considered legal advice in relation to the liability issue.

The Hon. M.D. Rann interjecting:

The Hon. R.I. Lucas: The Treasury officers are not lawyers with due respect, and neither am I. The liability issue is very important. The best summary of the comprehensive legal advice we have is that, if an electricity business is owned by a private operator and it is shown that they are negligent or have been negligent in terms of a bushfire circumstance, for example, then the liability will rest with the private sector owner. I do not think I can be any clearer than that. As Mr Armour indicates, it is the sort of thing that owners, whether they be private or public, would obviously insure against, as clearly ETSA did, and obviously it was part of the eventual resolution of the Ash Wednesday issues.

In relation to the first question, the Government has taken substantial commercial advice in relation to not only the issue of sale value but also where the various thresholds might be in terms of our own decision-making. For commercial reasons, we do not intend to make available to the Committee, or to the public, those pieces of advice other than clearly the advice that we took prior to making the decision to sell. The advice that has now been further confirmed by our commercial advisers is that the expected sale value of our assets is considerably in excess of the notional break-even, and the statements included in the budget speech are obviously indicative of that. We are arguing, as we have argued again today, that the asset sale premium, that is, the difference between the dividend flow that we forego and the interest savings on the debt reduction, are up to—

Mr Foley interjecting:

The Hon. R.I. Lucas: You have had your turn; we have already responded to that. The asset sale premium will be up to \$150 million in the budget bottom line. The advice we received both prior to our original decision and now confirmed, and more laterally by our commercial advisers, is that our expected sale price is considerably above the break-even.

The Hon. M.D. RANN: The other question that was raised in our meeting related to the concerns in rural areas about what would happen to the uniform statewide electricity tariff if ETSA and Optima were sold. Since that time I have been on several trips to regional and country South Australia where the issue was raised repeatedly. At the time the Treasurer said that it still had not been worked out. Can he give us any further information about that?

The Hon. R.I. Lucas: It is certainly the case that we were in the process of taking considerable advice from our economic consulting firm, accounting groups and commercial advisers, working together with existing agencies, in terms of our pricing policies. It is an important issue to country constituents. When I met with my friends and colleagues from the Lower House—the Independent members and the member for Chaffey—it was clear that it is one of two key issues that they want to see resolved. Over the past few weeks, the Government has been assiduously developing its response to that.

I understand that the member for Chaffey has expressed some concern today about the Government not yet having got back to her, so I indicate through this forum, and I will have

a private word to her afterwards, that the Government has taken on board the two or three key questions that she and her colleagues raised with me as Treasurer some time ago. I assure her and other members that they have been foremost in our consideration as we develop the Government's response and, as soon as the Government's response has been concluded, I intend to meet with a number of people, including the two Independent members and the member for Chaffey, on the issue of country pricing and country services and standards. They were the key issues that they raised with me in our discussion some weeks ago.

The Government has not yet concluded a position on country pricing. We hope to do that in the very near future. I have been encouraged by the advice that we have received in more recent days. Early on we needed to resolve a number of issues, but I have been encouraged by the advice that we have received in recent days. I know that the member for Chaffey is already aware of this because we had this discussion at a meeting some weeks ago, but it is important to advise other members that a number of issues will be out of our control, given that the ACCC, which is a completely independent body, will control transmission pricing after the year 2002. That issue must be factored into our consideration of the issue of country and city pricing.

The Government, by way of a number of statements from the Premier, has indicated that, for the period through to the end of 2002 and the beginning of 2003, we have guaranteed the maintenance of a pricing policy which will see prices for households and for small energy-using small businesses increase by no more than the CPI. We have also guaranteed the maintenance of maximum uniform tariffs, that is, consistent policy pricing between city and country regions during that five year period.

The policy that we are talking about is a fair way down the track. We are talking about what will happen from 2003 onwards when households become contestable and for small energy-using small businesses. It is to that time frame that I have addressed my comments, and we will be addressing those issues with members with particular interest in country areas. I can only repeat that this is a critical issue for me as Treasurer and for the Government to do as much as we humanly can in the climate of the national electricity market.

The issue of country pricing is a critical issue to be resolved irrespective of the ownership of the assets, because the issue is the national electricity market: it is not the question of who owns the assets, whether it is public or private. All these issues, such as the ACCC's control over transmission pricing, will have to be confronted by Governments, Labor or Liberal, whether ETSA and Optima are publicly or privately owned, because we will be part of a fully contestable national electricity market. It is important that in our consideration of these issues we distinguish the factors.

I accept that there is clearly a relationship, but the issue of country pricing will be an issue for country members and country constituents even if ETSA and Optima remain in public ownership. With due respect to the Leader of the Opposition and others, some of the statements that have been made in country areas have been a tad misleading, if I cannot be too unkind to the Leader of the Opposition because—

The Hon. M.D. Rann interjecting:

The CHAIRMAN: Order!

The Hon. R.I. Lucas: I thought that was a very good release. They are misleading because they tend to indicate that the issue of country pricing will occur only if ETSA and Optima are privatised. If the Leader of the Opposition is

honest with country constituents, he would acknowledge, as his shadow Minister has acknowledged, that these are issues that relate to the national electricity market whether or not ETSA and Optima are privatised.

Mrs MAYWALD: I want to follow up on a couple of points made by Mr Armour in relation to the Wilpena connection and the solar cells. I have heard that that was an exciting project. What interested me was the Cabinet-approved Government funding of \$2.5 million for the project. What was the overall cost of the installation of the power cells in the Wilpena area, what developments does that connection service and what size community does it serve?

The Hon. R.I. Lucas: I will check to see whether Mr Armour has any information that we can usefully offer immediately or whether we will have to take it on notice.

Mr Armour: I think that the total cost of the project was \$3.5 million. The \$2.5 million contribution from the Tourism Department was to go towards extending the grid to Wilpena, anyway, so it was just a matter of diverting that into a freestanding, independent, solar-assisted operation. That had already been voted by Cabinet as a contribution from Tourism.

Mrs MAYWALD: As a supplementary question, in relation to the overall cost being \$3.5 million, what was the contribution of the developer of the tourism operation in Wilpena towards the cost of establishing the connection?

Mr Armour: I cannot answer that. Any contribution from the developer would have been handled by the Tourism Department.

Mrs MAYWALD: Was there any charge from ETSA to the developer in relation to that project?

The Hon. R.I. Lucas: I will ask Mr Armour whether he has any immediate information, but there are a number of issues that we will need to take on notice. We will try to provide a comprehensive reply for the member for Chaffey. The honourable member asked about the size of the community and the developer's contribution, so we will certainly take those questions on notice and ensure that the honourable member gets a reply as soon as possible.

Mrs MAYWALD: Mr Morgan commented on the environmental aspects of the expansion of Optima Energy into gas-fired generation. Is gas generation more expensive than coal generation?

The Hon. R.I. Lucas: I am advised that it is about 30 per cent to 40 per cent more, on a fuel cost basis.

Mrs MAYWALD: We have a 30 per cent to 40 per cent extra cost impost in generating by gas. I understand the environmental implications (which are very good in relation to the greenhouse effect) but how can we compete on the open market in relation to the cheap coal-fired power from New South Wales and Victoria? When we are looking at selling an asset at this time, and when we are looking at developing it in a marketplace where it will not necessarily be as competitive as our neighbours, how will that impact upon the value of the asset and the cost to that 60 per cent of the market here in South Australia, which is a captive market, in relation to pricing?

The Hon. R.I. Lucas: I have taken considerable advice from a number of people here: let me try to do justice to all that advice. There is a range of factors. Clearly, we have to bear in mind that it will be difficult for us to compete. There are many within the industry who believe that some of the prices we have seen in Victoria and New South Wales in recent times are unsustainable. The prices that we have been seeing have occurred in the early part of the market, but

whether or not they will be sustainable in the long term is an issue about which there are some conflicting views at the moment.

A couple of other issues were raised. Earlier we talked about new entrants, in response to the honourable member's Riverlink question. I am told that the capital cost for gas-fired plants is significantly less than for coal plants, and it is much more efficient in terms of the operation. So, that will be one factor in terms of a new entrant, potentially. There will be factors in relation to the debt structure of the companies that are operating. If companies are able to establish in South Australia with lower debt structure profiles than some of the highly geared Victorian operators, that again will see them, on a relative basis, in a more competitive position on that factor. There is also the issue of the cost of the delivery of the coal-fired electricity from those cheap sources in Victoria that we are talking about—the transmission costs and the losses that are involved. There are obviously a number of costs involved in getting it from perhaps the cheap coal power source in Victoria through to South Australia.

The last point that the honourable member raised was that, to a degree, and for a period anyway, we will have a bit of a captive market in South Australia, in terms of what can come across any interconnector. Given that Riverlink is now not to be a regulated asset, if that does not proceed, then at this stage we are basically limited to 500 megawatts coming across from Victoria. Maybe there could be an upgrade of that at some stage in the future, but that would have to go through a similar NEMMCO process to see whether or not it might or might not be approved.

That is the summation of all the advice that I have quickly obtained around the table. If there is anything else that this group of impressive advisers is able to come up with that might be useful, we will add that to the responses that we provide at the end of this session.

Mrs MAYWALD: Following on from the Treasurer's comments in relation to the Victorian situation, the conflicting information in relation to artificially deflated prices and the highly geared Victorian operators, in relation to their capital outlays, I note that we have a much smaller asset to sell in South Australia, particularly compared with the \$25 billion that is being bandied for New South Wales, given the potential \$4 billion to \$6 billion in South Australia. How can we compete in the long term—not the short term—against the prices when they are not artificially deflated in Victoria and we are running mostly gas? The Treasurer said that there will be higher transmission costs from cheap coal-fired produced electricity from Victoria to South Australia. From a briefing that I had in relation to the national electricity market just recently, I understand that when you purchase from the pool you may be purchasing in New South Wales or Victoria, but you access it from the nearest point of entry. You do not have to get the transmission from exactly where it has been generated: you buy it from a point in Victoria, but you may not be getting the power that is generated from that point. That is what I was led to believe. Is that correct?

The Hon. R.I. Lucas: I will endeavour to do justice to the advice I received in both ears.

The CHAIRMAN: The Committee could have had a cup of tea while it was waiting.

The Hon. R.I. Lucas: Exactly. This is a complicated area and, given that your words come back to haunt you, I am very cautious. I will try to do justice to the advice and, if I get a dig in the ribs from either the left or the right, I will clarify quickly. I am told that wherever you buy, given the current

State structure of the market, you will always pay the South Australian pool price because we are in the South Australian pool market and because our price is the highest. We are an importer. Clearly, if we are getting power from anywhere else, given that we have only one interconnector, we can get it only via Victoria.

If we are purchasing power from New South Wales, we would get the power through the Victorian interconnector, under the current arrangements, and there would be some arrangement between New South Wales and Victoria through their interconnector, and there would be an arrangement which would also involve hedging to enable the flow between New South Wales and Victoria. I apologise for the complicated answer but it was a complicated question.

Mrs MAYWALD: We have established that from wherever power is purchased in South Australia it has no impact upon the transmission costs? Is that right? We would actually be buying it out of the South Australian pool even though we were paying someone in New South Wales for it?

The Hon. R.I. Lucas: Rather than my giving an interpretation, Mr Armour will answer that question.

Mr Armour: I will give an accountant's answer to an engineering question. Essentially, there is a transmission component no matter from where the power comes into South Australia. One-third of South Australia's power usually comes through the interconnector. There is a cost of transmission from the two generators in South Australia—the Northern Power Station and the Torrens Island Power Station—to get the power to point of sale. There is a contribution involved in that and there is a cost associated in getting the power from Victoria through the interconnector. Power will come in from Victoria only if the South Australian pool price is actually higher than the Victorian pool price, plus the losses in the transmission system between South Australia and Victoria. That is what actually draws it in.

A component of the cost is the transmission cost from Victoria or, indeed, from New South Wales via Victoria into the South Australian system. Basically what sets the price in South Australia is the combination of the price that the South Australian generator might charge, plus the transmission cost, plus the cost of the differential between the South Australian and the Victorian pool prices.

The Hon. R.I. Lucas: Other than that, the market is very simple.

Mrs MAYWALD: Given that complex answer, I would have been happy with a 'Yes' or 'No' answer that the transmission cost is actually built into the price regardless of from where the power comes. In relation to country pricing and tariffs across the State, the Government has been heavily promoting the sale of ETSA throughout South Australia with glossy brochures and public awareness campaigns claiming that we can expect cheaper prices. Given that South Australia will have potentially a higher generation cost, and the fact that the consultation process and the Government's position in relation to the tariffs and country pricing has not been determined, how can these promises be made?

The Hon. R.I. Lucas: The broad commitments that the Government has made in relation to pricing have been two-fold, and I partly referred to this earlier. First, for the next five years, the Government will ensure that for households and for small energy users the increase is no greater than the rate of the CPI for that period. I would need to refresh my memory but some of the brochures talk generally about the market operating, and we would obviously hope that there would be cheaper prices than might otherwise be the case in

the event that we did not have some of the changes that we will be going through over the coming years. I would need to refresh my memory on the exact brochure about which the honourable member is talking. I am happy to do that and give her a more considered response in accord with the Committee's timetable.

In relation to the contestable section of the market, the Government has already announced that, once the market starts, with the first tranche customers, there will be savings of approximately \$13 million. That applies to the big energy users part of the market. Part of the response to this question I gave earlier in answer to a question from the honourable member, that is, the Government is currently looking at its total pricing policy in terms of country areas in particular after 2002—in this next five year period.

Clearly, the Government wants to see as much competition as possible within our market. That will depend on some decisions we will have to take in relation to whether we have one Optima or whether we have a number of generators competing in the marketplace. Whilst I do not agree with many claims made by Mr Bruce Dinham in his recent letters to a number of country newspapers and others—and I am certainly not subscribing to his particular view—I point out that some people, such as Mr Dinham, argue that, under our current arrangements, consumers are paying up to 40 per cent more for their electricity in both the city and the country than they otherwise should have been.

I am not subscribing to the 40 per cent figure at all. I am just saying that some people in the community are arguing in regard to our current pricing structure under the current public utilities, because Governments of all persuasions have been taking money out of ETSA and Optima and because there has not been a competitive market. Some people are arguing, whether you discount this 40 per cent figure—and let us put that aside for the moment—that the level of prices is higher than might otherwise apply in a competitive market, yet people such as Alan Fels and a variety of others argue that a competitive electricity market will place downward pressure on prices compared with where you might otherwise be.

I have been pretty cautious in terms of talking about the year 2003 and beyond. One lesson to be learnt about prices is that inevitably, when one compares prices in 2003 with 1993, they will probably be higher. But the fairer comparison is where they would otherwise have been compared to CPI, in real terms or something along those lines. It is a very easy argument to talk about SA Water, for example, and say that there has been a 10 per cent or 15 per cent increase in prices. A more realistic comparison is a comparison in terms of real rate increase, or where it might otherwise have been if you had not made the changes in a particular industry or sector.

The Government is currently trying to resolve those issues in terms of its pricing policy. We will be announcing the results of the Government's decision in this area in the very near future so that members in both Houses will be fully aware of the Government's approach to pricing, particularly as it applies to country and city pricing, when they vote on the legislation. I can only say for the third time that this issue—

Mr Foley interjecting:

The Hon. R.I. Lucas: No, it is important. The country pricing issue is impacted upon by the national electricity market decision. It is not a decision driven by whether or not you have a public or a private owner of your assets.

Ms HURLEY: The Treasurer just said that it was important that competition be encouraged and that it is the South Australian generators that in effect set the price. What does the Government intend to do about the fact that Optima is the only generator in South Australia, because I understand that there is also some disquiet about that in the general national electricity market?

The Hon. R.I. Lucas: The Government's position will be announced in the very near future when the Premier signals the recommencement of the debate in the House of Assembly. The Government has a decision to make as to whether or not in its restructure we support a one Optima policy, that is, maintaining Optima as it is, or a policy where Optima is disaggregated. It is quite clear from a number of statements what the Optima board's position is. Mr Ainsworth has made it quite clear that the Optima board believes, in terms of optimising its value, that Optima ought to be retained as a whole. On the other hand, you have some people who are critical of what they would see as the market power of Optima in those circumstances and who would argue that Optima ought to be disaggregated.

The Government's position on that and a range of other matters will be announced to Parliament in the very near future and, when the second piece of legislation is introduced in Parliament in about the middle of July, the Government's decisions in relation to the number of generation companies, the number of distribution companies and the shape and structure of the industry will be part of that legislative package and members will have an opportunity to express a view on those areas. The only other issue is something that was raised earlier this afternoon, that is, the issue of the potential for new entrants into our generation industry here in South Australia. As Treasurer I can indicate that a number of significant players, both in the national and international arena, are at this stage, anyway, indicating a significant degree of interest in entering our South Australian market as a new entrant generator.

If they are given the opportunity, time will tell as to whether the actions meet the words, but at this stage there is significant interest and a good degree of work being undertaken. Also, the NEMMCO decision on RiverLink highlights its view that there are a number of new entrants that it is aware of that are looking at entering the South Australian energy market.

Mr FOLEY: The Treasurer has made a bit of a *faux pas* on Optima by already telling the good citizens of this State, in a leaflet that the Treasurer published and distributed to households in South Australia following his decision to announce his policy backflip, that he intends to disaggregate Optima into two companies. I do not have it with me: it is very remiss of me and I am kicking myself for not having it, because I could have a bit of fun with it, but the Treasurer actually says in the document that it is the Government's intention to split Optima Energy into two companies.

The Hon. R.I. Lucas: I would be delighted if the honourable member could turn the leaflet up very quickly. In the end that might be the decision, but my recollection of the number of statements the Premier made and the advice the Government received very early on was that Optima ought to be disaggregated. I am not sure whether two was mentioned: we have had all sorts of advice in terms of how Optima might be disaggregated, some I am sure familiar to the member for Hart. But the position is now that the Government is taking advice and we will announce our position in the very near future.

Mr FOLEY: I am sure that Mr Morgan or Mr Armour would have seen this brochure: it was something produced on electricity reform, glossy, given to me in my office last week, and was an official publication. I am also betting on ETSA being split into two: that is the gossip we hear. In relation to the issue that the Treasurer referred to earlier, the Edison capital cross border lease, information that we have provided to the Parliament—advice given by Ernst & Young to a potential bidder, Canadian Utilities, I think the company might have been—indicated that a discount would need to be factored into bidders for ETSA, assuming ETSA as a whole, of between 8 and 12 per cent.

Basically, the advice was that if you are going to buy the asset with the encumbrance of the cross border lease you need to factor in an 8 to 12 per cent discount or the Government would need to wind itself out of the contractual arrangements. Does the Treasurer have some advice to the Committee on that issue?

The Hon. R.I. Lucas: I was asked some questions in the Parliament, I think by the Hon. Sandra Kanck, who in a most assiduous and meticulous fashion is considering her position on this important issue. I again publicly pay her credit for the way she is going about her task. I was a little critical of some aspects of that correspondence, because on the advice provided to me Ernst & Young had given this advice without actually having seen a copy of the lease document. As the member for Hart will know, lease documents are infinitely variable in terms of their clauses and the various provisions that might apply. There is no standard lease arrangement upon which you can base one set of consistent advice in all circumstances.

I find it very difficult to understand how Ernst & Young, who on most occasions give very reputable advice—and I am sure the Government has used Ernst & Young for a number of tasks and functions on a number of occasions—can give advice with this degree of purported precision when I am advised that they have not had the opportunity to go through the detail of the lease documents and arrangements. I do not know whether there is much more I can say other than that if, for example, they had had the document, had gone through it and then had given some considered advice to whoever the third party was, then passed that on to the Hon. Sandra Kanck, I guess we would need to factor that into our consideration.

However, on this occasion that has not occurred. We are taking advice on this issue, as members would expect. We certainly took advice prior to 17 February, because a key part of the Government's decision making process was to have some advice that indicated this was not going to be an insurmountable hurdle to what the Government wanted to do. Certainly, we were given advice that it could be resolved, although there were some challenges involved in it. Our most recent advice from this well paid team with great expertise that the Government has assembled has confirmed that. The lawyers say that there are some challenges, but nothing that cannot be resolved. We are not confirming publicly, or even privately for that matter, the Ernst & Young assessment that this will cost us X per cent on the sale process.

Mr FOLEY: Prior to asking my next question, I have just obtained a copy of the pamphlet to which I was referring. It is called 'Electricity reform: Your questions answered.' The good old logo at the back is 'South Australia rebuilding South Australia'. I do not know when the Government is going to update that one: I had hoped that after five or six years it might have done something. The document says, 'Customer

benefits: what does reform of South Australia's electricity assets mean for the customer?' It goes a bit further than just Optima and states:

The Government will announce further changes to the electricity industry over the next few months. Electricity currently supplied by ETSA will be delivered by several smaller businesses covering specific geographic locations. Optima Energy, South Australia's generation company, will also be split into different generation companies.

The Hon. R.I. Lucas: I thank the honourable member for reading out what he had indicated before was in the document. I repeat: the Government's position is that it has not yet taken a decision in relation to the number of Optimas or ETSA's. We will finally do so in the very near future and announce that to Parliament. The Government's decision may or may not be consistent with that particular part of that document.

Mr FOLEY: Why did you not read it?

The Hon. R.I. Lucas: I am happy to take advice from whoever drafted the document to find out why it was drafted in that way.

Mr FOLEY: I refer to the Victorian Regulator, Mr Tamblyn, and to his decision on gas, which I understand was decided in consultation with the ACCC. Without going into it, you obviously are aware of the fact that he will put a limit on what he sees as the appropriate rate of return from utilities. It is suggested by commentators that it will flow into the rest of the market or that it could be seen as a benchmark for the rest of the market. How do you see that affecting the sale price? I do not necessarily want you to quantify it in dollar terms, but if we are to believe what is written it could have a depressing factor on the premium companies are now prepared to pay for ETSA and Optima.

The Hon. R.I. Lucas: It is fair to say that the Government has not always been entirely happy with statements that Professor Fels has made, but on a couple of recent occasions we have been pleased to see his statements. One was his public support for the privatisation of ETSA and Optima and the benefits he saw in it for consumers, which was important. The second were some statements he made after that Regulator-General's decision where from our viewpoint he was good enough to highlight quickly the fact that commentators should not just assume that a decision taken in relation to gas assets in Victoria would automatically apply to electricity assets in Victoria or elsewhere. Interestingly, in a statement in the *Financial Review* in the days afterward, he highlighted the fact that the risk assessment of the industry in South Australia was seen to be higher than the risk assessment of this section of the gas market in Victoria.

I think that is interesting, because Professor Fels is a man who generally chooses his words relatively carefully. He did not have to highlight South Australian electricity assets—unless he was contemplating it and had thought the issue through. That has been useful because, clearly, Professor Fels will be a key player in all of this and it will be in significant part his views that may well impact on the WACC (weighted average cost of capital) calculation, which is important to these investment and purchase decisions.

My only other point is that this issue of the level of the WACC, whether it be 7, 8, 9 or 10 per cent, will impact upon our assets whether they are privately or publicly owned. For example, if they remain publicly owned and if regulators or the ACCC insist on lower weighted average cost of capital in the calculations, there will be a significant reduction in our dividend flow through to Government, because there will be

controls by the regulatory authorities in the national market. Some commentators immediately jumped to the interpretation that should this flow on—and I have already addressed whether or not it would—it would impact on the privatisation program. It is important to nail publicly the fact that, should that decision flow on to South Australian assets, it would impact upon our assets, our budget position and a whole range of other things if they were publicly owned as well as through the dividend flow calculation.

The only other useful comment I can make is that a number of interested parties—and we are an interested party—are in the process of putting a point of view to Professor Fels. A number of other State Governments are also putting a point of view, because there is a draft determination, an opportunity to comment. We in the State of South Australia, together with Mr Egan and the honourable member's colleagues from New South Wales, are putting a point of view to that draft determination.

Mr FOLEY: What will South Australia do in terms of a Regulator here? Is there a short answer to that question?

The Hon. R.I. Lucas: There is a short answer, that is, the Government has indicated that it will have a Regulator-General structure. In the very near future Cabinet will consider the shape and nature of that regulatory authority—whether we call it a Regulator-General or a Regulator—and in July Parliament will have an opportunity to look at that together with our proposition for an electricity ombudsman.

Mr FOLEY: Earlier today the Treasurer asked me why I was concentrating on just one particular consultancy involved in this process, namely, my former mentor as a political minder, Geoff Anderson. I thought I would broaden that out a little. There are plenty of consultants to go around, but I want to pick on one in particular. I understand that a contract has been let to an interstate company, who may well have been named today. I understand that this is most likely to involve the legal advice aspect. Are you able to say who was awarded the contract for legal advice? You may have mentioned it earlier, but I have not seen your statement.

The Hon. R.I. Lucas: Yes, I am. We appointed one interstate company and two South Australian based companies. The Government took a very strong view—particularly in some of our areas such as the legal consultancy, accounting, communications, actuarial and project management—that we wanted the greatest degree of locally based advice we could obtain, while obviously still operating within the basis of merit appointments. For the legal consultancy, we appointed a Victorian firm, Allan, Allan and Hemsley, and Arthur Robinson and Hedderwicks, and in South Australia we appointed Finlayson and Johnson Winter and Slattery.

Mr FOLEY: How many lawyers from these respective companies are involved?

The Hon. R.I. Lucas: I will take that question on notice. Clearly when you have access to a firm, on various occasions if there is a big part of the project you may well be getting access to a large number of them. Of course, they can also work on a project for only three or four days and then go off and work on other things. In terms of the advice that I can give to the honourable member and the Committee it would be sensible to try to find out who is working on this project full time and whether there are others who are part time and occasionally being accessed for key areas. I am happy to take that on notice and bring back a reply.

Mr FOLEY: I have a number of questions that, if need be, can be taken on notice. How many interstate support staff for the lawyers are involved? In what city hotel are staff

being accommodated? How many staff are being flown home at weekends? What is the hourly billing rate for the interstate lawyers? How many years experience has each of the interstate lawyers in each of these fields? Are the lawyers working from the Mutual Community building in Gawler Place?

The Hon. R.I. Lucas: I will take those questions on notice and see what sensible answers I might be able to provide to as many of those questions as is possible.

Mrs MAYWALD: I refer again to the brochure and the confusion that seems to be out in the broader community at the moment. Before the election you were not going to sell ETSA; then after the election you were going to sell it. Before Christmas, Powerlink received in-principle support; now the decision has been reversed. In this brochure, Optima Energy was to be split; now that may change. The country pricing policy is not firm at this time. This brochure states that country customers will benefit from the same maximum uniform tariffs as their city counterparts; that has now changed and may not be the case. When may the community expect to get the information, whether it be in glossy form or not, that is reflective of what will actually happen? How much will it cost to put out another glossy brochure? How will they know that it is the one they should believe?

The Hon. R.I. Lucas: They will know in the very near future. The debate in the House of Assembly was adjourned prior to the Estimates Committees. When you reconvene, which is in the last week of June, the Premier will indicate the broad principles of the Government's position. He will indicate the Government's recommendations in relation to the shape and structure of Optima and ETSA, our policies on country pricing, the key issues for employees—although some of those we have already announced in relation to superannuation and redundancies—and a range of other key principles which will all be part of the mid-July legislative package. So, the intention is to outline to all members what will be in the mid-July package, and to indicate the detail.

As I indicated earlier, and with the honourable member's agreement, we will go away and try to resolve the issues that she asked us to resolve. When Cabinet resolves that issue I am happy to meet with the honourable member and her colleagues to put the Government's position. The honourable member will then be in a position to communicate her views on the Government's position to her constituents and the Government will seek to communicate its position to members. That will be the Government's final position.

This is a very difficult process. It is the biggest asset sale we have ever been through. You can always look back, and I am the first to acknowledge that when you look back on anything you have done in the past you see areas where you could improve, let alone when dealing with something as significant as this. I do not claim and the Government does not claim that we will never make a mistake, have never made a mistake, or that on reflection we might have been able to do it better. I am sure the honourable member could perhaps look at some things she has undertaken in the past in a similar light. From mine and the Government's viewpoint we can see how things might have been done better in some areas.

In terms of the answer to the question, it will be there, and it will be announced. We will be voting on it in either July or August—if it has to go that long—and it will be there for everyone to see in terms of the shape and structure, and all those decisions will have been resolved as much as we can resolve them. After 2002, when we come to a fully contest-

able national market—whether or not we own ETSA or Optima—in some part we will at least be dependent upon the way in which the market operates.

Mr FOLEY: Perhaps via you, Mr Treasurer, to Mr Armour: do you have any responsibility at all for the cogeneration plant? This is not a trick question. I have received many complaints from neighbours. Do we have any communication with that company at all?

The Hon. R.I. Lucas: I will ask Mr Armour to respond because I have no knowledge.

Mr FOLEY: I received a telephone call from a constituent a couple of hours ago. I have had three or four calls today from people complaining about the company.

Mr Armour: The best I can answer is that the cogeneration plant is controlled by Boral and Canadian Utilities. Obviously we are associated with the operation because we have the substation alongside, but they are just starting up the commissioning phase of the plant now, as I understand it. It is quite possible that there will be some disruption in the area over the next three months because they will be gradually commissioning that plant.

Mr FOLEY: Would the noise be higher than normal?

Mr Armour: That is quite possible, but the short answer is 'No, we do not have any control over it; you will have to speak to them.'

Mr FOLEY: I will speak to Canadian Utilities. I thought I would throw it in so that I have raised an important issue in Parliament. I will place a couple of questions on notice and then ask the omnibus questions. Will the Minister outline the efficiency and cost benefits of ETSA's new distribution management system which, among other things, manages the ETSA Power payroll at a cost of \$20 million; and will the Treasurer say what the new service does that the previous Hermes system did not do? Will the Treasurer indicate why the ETSA Power distributive management system has major problems with its planning system?

My omnibus questions are—and we are putting them to all Ministers:

1. Will the Treasurer list all consultancies let during 1997-98, indicating whether tenders or expressions of interest were called for each consultancy and, if not, why not, and the terms of reference and the cost of each consultancy?

2. Which consultants submitted reports during 1997-98; what was the date on which each report was received by the Government; and was the report made public?

3. What was the cost for the financial years 1996-97 and 1997-98 of all services provided by EDS including the costs of processing of data, installation and/or maintenance of equipment, including the cost of any new equipment, either purchased or leased through EDS, and all other payments related to the Government's contract to outsource information technology to EDS? Obviously, they would not be applicable to all of the Treasurer's agencies.

4. During 1996-97 and 1997-98 were there any disputes with EDS concerning availability, level or timeliness of services provided under the whole of Government contract with EDS and, if so, what were the details and how were they resolved?

5. What are the names and titles of all executives with salary and benefit packages exceeding an annual value of \$100 000? Which executives have contracts which entitle them to bonus payments and what are the details of all bonuses paid in 1997-98?

6. What are the names and titles of staff who have been issued with or have access to Government credit cards? For what purpose was each of these cards issued and what was the expenditure on each card for 1997-98?

7. What are the names and titles of all officers who have been issued with Government-owned mobile telephones? What arrangements apply for the payment of mobile telephone accounts and what restrictions apply to the use of Government mobile phones for private purposes?

8. What are the total number and the cost of separation packages finalised in the financial years 1994-95, 1995-96, 1996-97 and 1997-98? What is the target number of staff separations in the 1998-99 budget? How many TVSPs have been approved by the Commissioner of Public Employment for 1998-99 and what classifications of employees have been approved for TSVPs in 1998-99?

10. How many vehicles by classification were hired in each of the financial years 1996-97 and 1997-98 and what was the cost of vehicle hire and maintenance in each of these financial years?

I have one final set of questions on capital works to place on notice. What is the total cost of all projects listed in the 1998-99 capital works program? How much of that expenditure has been incurred in previous years? What is the estimate of expenditure on those listed projects in 1998-99? How much is scheduled to be expended on that list of projects in 1999-2000, 2000-1, 2001-2? What is the value of capital works listed in this budget's capital works program which are already committed, either because work has commenced or because contracts have been signed? What is the estimated expenditure of these projects in 1999-2000, 2000-1, 2001-2?

The Hon. R.I. Lucas: I have answers to each of those questions here if the Committee would like them now.

The CHAIRMAN: Order! The questions have been placed on notice. There being no further questions, I declare the examination of the votes completed. I take this opportunity to thank Committee members for the cooperation that they have shown throughout the day. Members might be interested to know that more than 100 questions were asked and, considering the length of the questions and certainly considering the length of some of the replies, I think that is a pretty good effort on the part of the Committee.

ADJOURNMENT

At 9.14 p.m. the Committee adjourned until Thursday 18 June at 11 a.m.