

## HOUSE OF ASSEMBLY

Wednesday 23 June 1999

### ESTIMATES COMMITTEE A

**Chairman:**

The Hon. D.C. Wotton

**Members:**

Mr P.F. Conlon  
Mr K.O. Foley  
Mr I.P. Lewis  
Mr E.J. Meier  
Ms M.G. Thompson  
Mr M.R. Williams

*The Committee met at 11 a.m.*

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Department of Treasury and Finance, \$28 986 000  
Administered Items for Department of Treasury  
and Finance, \$1 193 054 000

**Witness:**

The Hon. R.I. Lucas, Treasurer.

**Departmental Advisers:**

Mr J. Hill, Acting Under Treasurer.  
Mr R. Schwarz, Acting Assistant Under Treasurer.  
Mr S. Archer, Manager Financial Service, Department of  
Treasury and Finance.  
Mr P. O'Neill, Senior Adviser, Budgets.  
Ms K. Moore, Director, Revenue.

**The CHAIRMAN:** I do not think I need to remind members that the Estimates Committees are relatively informal procedures and, as such, 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 the changeover of departmental officers. I presume that the Treasurer and the Opposition spokesperson have agreed on a timetable for today's proceedings, and I will ask the Treasurer to advise the Committee on the agreeable timetable at the conclusion of my remarks. 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 submitted to the Clerk of the House of Assembly no later than Friday 9 July 1999.

I propose to allow the Treasurer and the lead speaker for the Opposition to make opening statements, if desired, of about 10 minutes but no longer than 15 minutes. There will be a flexible approach to giving the call for asking questions, based on three questions per member, alternating sides. Members may also be allowed to ask a brief supplementary question to conclude a line of questioning, but any 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 who 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 the member outside the Committee wishing to ask a question is necessary.

Questions must be based on lines of expenditure as revealed in the Estimates Statement. Reference may be made to other documents, including the Portfolio Statements, and I would suggest that it would be helpful if members 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 sitting day's House of Assembly Notice Paper.

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 permitted on the same basis as applies in the House of Assembly; that is, that it is purely statistical and limited to one page in length. All questions are to be directed to the Treasurer, not to the Treasurer's advisers. The Treasurer may then refer questions to advisers for a response.

I also advise that for the purpose of the Committee some freedom will be allowed for television coverage by allowing a short period of filming from the northern gallery. I now invite the Treasurer to detail any agreed program and introduce his advisers and make a brief opening statement if he wishes.

**The Hon. R.I. Lucas:** In terms of the agreed program, I have a printed schedule, which I can make available. I understand that Mr Foley has agreed to that.

**The CHAIRMAN:** Does the Minister have an opening statement?

**The Hon. R.I. Lucas:** No, Mr Chairman, I do not have an opening statement. I am interested in making the maximum time available for questions from members.

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

**Mr FOLEY:** From the outset, let me say that the Opposition views the Treasurer's budget as extremely disappointing, and it would be remiss of me not to take the opportunity, as we have the Treasurer in the House of Assembly on so few occasions, to make the point directly to him that now with this sixth Liberal budget we are seeing nominal growth in outlays of 7 per cent and a real growth of 5.2 per cent, against a backdrop of extremely low inflation and extremely low State gross product growth. I should have thought any Treasurer would not be particularly proud of bringing down his second budget with such a big spend attached to it. It would be fair comment to say that this Government, particularly since Mr Lucas has been Treasurer, is a big spender and a big taxer. I think that point needs to be made.

*An honourable member interjecting:*

**Mr FOLEY:** I will get to that eventually. I would just like to know how the Treasurer can justify his 5.2 per cent growth in real terms in outlays in a period of very low economic growth and very low inflation. I note in the *Australian* today that the Labor Treasurer in New South Wales has brought down his budget forecasting a 1.3 per cent growth in outlays. I should have thought, given the range of difficulties facing this State, that the Treasurer would have learnt to cut his cloth accordingly, but clearly, as we enter into the mid point of the second term of this Liberal Government, its fiscal discipline

has evaporated. It has little or no ability to rein in significant blow-outs in expenditure.

It has done the easy, lazy thing: that is, simply to increase taxes, and we see that through a variety of measures. Obviously the most significant is the new emergency services levy, and we see it through other initiatives in raising stamp duties and fees, fines and charges, on top of quite a substantial increase in the fees and charges in the last budget. This Government is clearly making spending commitments and then working out shortly thereafter how it will pay for them. That is quite disappointing, particularly given the difficult financial situation that this State has been through. I thought the best we could hope for was a Government that was able to control its expenditure.

Also, notwithstanding the obvious criticisms from time to time, the former Treasurer (Stephen Baker), I think, was able to manage the portfolio of Treasurer in a way that controlled expenditure, whereas this Treasurer is having great difficulty. And particularly now, given that agreement has been provided by the Parliament to lease ETSA (and as the noted economist Cliff Walsh also confirmed in his comment piece in the *Advertiser* this week), any dividend or any benefit from the sale of ETSA, of course, has been factored into the Government's forward estimates. So you are spending the proceeds before they have arrived.

The Government is doing that regardless. It intended to apply this nonsense ETSA tax, which was just another attempted clever move simply to plug the hole of Government outlays by finding a mechanism to raise more money. I intend to adopt a line of questioning, obviously, that will look at just what has happened to our budget, but it is important to place on the record, as shadow Treasurer, that I find a 5.2 per cent growth in outlays an indication of the dismal failure of this Treasurer and this Government as it enters the midpoint of its final term in Government.

I suppose one should be concerned about what legacy one is left but if outlays are continuing to grow at this magnitude the sale of ETSA and any benefit financially that might be derived from that will quickly evaporate unless you are able to show a little more fiscal discipline than you have in the past. Could the Treasurer now explain to me the composition of the 5.2 per cent real growth in outlays? I understand that a large component of that figure is capital. I would like an explanation as to the composition of the blow-out in outlays.

**The Hon. R.I. Lucas:** I am glad the shadow Treasurer has got that off his chest now and we might be able to get into some serious stuff. The shadow Treasurer waxing eloquent about fiscal discipline, given the record of his Government over 10 years and the record of the honourable member and the shadow ministry for the past five years is, frankly, laughable. As I said, now that the shadow Treasurer has that off his chest we can get on with the serious stuff of the Estimates Committees. I hope the shadow Treasurer can exhibit a little more discipline in his questioning than he did in his opening statement.

The member for Hart wants to look and use this measure of underlying total outlays and real growth, which is the 5.2 per cent figure appearing on page 2.4 of the Budget Statement. As the honourable member knows, the Government has indicated on a number of occasions since it brought down the budget that a significant component of the increased expenditure in 1999-2000 listed under this measure is actually a carry over of expenditure from 1998-99. However, if the honourable member wants to use that figure—and I will refer him to another figure which appears in the budget papers and

which gives a better indication of underlying fiscal discipline of the departments and the Government—he ought to look at the forward estimates period for that measure because in the following year it is indicating a reduction in expenditure of 2.7 per cent.

In 2001 and 2002 it indicates underlying total outlays real growth of 0.7 per cent and in the final year of the forward estimates the measure is 0.3 per cent. If the member for Hart wants to look at that measure of outlays to try to, from that, infer something about the forward estimates, he would have to look at not just the one year figure, which is a 5 per cent increase in real terms for 1999-2000, but the almost 3 per cent reduction in the following year and then the 0.7 per cent and 0.3 per cent real terms growth in the two out-years. The Government has said, and I repeat it for the shadow Treasurer, that it believes that a fairer and better indicator of true levels of financial commitment being made by the departments and by the Government is the measure which appears on exactly the same page (table 2.1) and which indicates underlying final consumption expenditure excluding superannuation.

This takes out interest costs, which clearly are largely due, in significant part, to the policies of the shadow Treasurer and his Party—the legacy they left the Government—and it also excludes superannuation costs, which are clearly locked-in costs. Obviously, they are not costs that Governments can make discretionary judgments about. They can certainly make judgments about how they pay them off, but the superannuation costs are commitments that need to be met over a particular time period. If we look at underlying final consumption expenditure including superannuation, on table 2.1, page 2.4, that indicates that next year's budget expenditure goes up by only 1.1 per cent, then it is .9 per cent, .3 per cent and 1.4 per cent. So, what you have over the forward estimates period is, broadly, increases of either a little above 1 per cent or below 1 per cent; indeed, in one year it is only .3 per cent.

That is an indication of the actual costs of running our departments and delivering our services: the salaries, accommodation, oncosts and all those other costs of delivering the services. So, there is a one-off increase in one particular measure of total outlays, which is the 5.2 per cent figure for 1999-2000. As I said, even if you want to look at that particular measure, we actually see a significant reduction in the following year of up to 3 per cent.

The only other point I would make in relation to expenditure and outlays is that I think the shadow Treasurer would have a tad more credibility on this issue, in terms of preaching a fiscal discipline, if he could control himself and his own Party in terms of the policy positions. The member for Elder, who is a member of this Committee, has been publicly and very loudly seeking additional spending in terms of police. The shadow education spokesperson has spent the past 12 months arguing that the Government should not be proceeding with the existing cutbacks in education. The shadow Minister for Health (Ms Stevens) has spent the past five years or however long she is been shadow Minister for Health (it has been longer than this parliamentary term), and certainly the past 15 months, attacking the Minister for Health and the Government for reductions in health expenditure.

In all those areas they have been supported by the shadow Treasurer and the Leader of the Opposition. They have been out there publicly and privately supporting their shadow Ministers in attacking the Government over reductions in expenditure in education, health and police. We will not hear

a word of criticism today from the shadow Treasurer about all his colleagues' calls for increased expenditure or vocal calls in opposition to Government cutbacks. How much credibility, therefore, does the shadow Treasurer have when he publicly and privately supports his own front bench colleagues when they attack the Government over cost reductions or they call for additional expenditure in a whole variety of different areas?

*Mr Conlon interjecting:*

**The Hon. R.I. Lucas:** Welcome to the member for Elder: it is good to see you turning up. We welcome your presence.

*Mr Conlon interjecting:*

**The Hon. R.I. Lucas:** Don't kid yourself, member for Elder. The shadow Treasurer has made an opening statement and obviously is sensitive to the criticism that he is now getting and will get in spades through the day. He can have no credibility at all—and nor can the Leader of the Opposition—if he is publicly and privately supporting his own front bench colleagues when they call for extra expenditure, as does the member for Elder, and attacks the Government and Ministers when they make reductions in expenditure. As I said at the outset and repeat, if the shadow Treasurer wants to be taken seriously in this portfolio he needs to extend a little bit of discipline over himself and his front bench colleagues in terms of their criticisms of the Government in reducing expenditure.

**Mr FOLEY:** That was a savaging attack, Treasurer! I hope you can warm up a bit better than that. You obviously did not answer the question, and that is a trait of yours: when you are not able to deal in detail, you deal in political rhetoric. I simply wanted to know what comprised the 5.2 per cent growth in outlays, and you were unable to answer it. Would you like a second attempt to answer that by way of a supplementary question from me?

**The Hon. R.I. Lucas:** I have already outlined it. They are flow-on expenditures from 1998-99. I am happy to bring back for the honourable member some greater detail of components of that cost. This has already been explored in the Parliament and publicly. The Government has provided information previously on it, but I am happy to provide further information. As I said, in broad terms, some elements of capital works programs in 1998-99 have flowed through into 1999-2000 because they have been delayed for a whole variety of reasons. In limited cases, I understand that in some recurrent programs commitments have been made but the expenditure had not been incurred in 1998-99 but it flowed through into 1999-2000.

**Mr FOLEY:** Let it be noted that the Treasurer is unable to provide our Committee with a breakdown of what a \$448 million nominal increase in outlays comprises. We have a Treasurer who has a body of advisers and a folder a foot thick but who still cannot put his finger on exactly what the extra outlays comprise. That is quite extraordinary. Nonetheless, I have to appreciate that the Treasurer is not good on detail. Of course, the point the Treasurer makes about his out years says to me, 'Have faith in your forward estimates.' Well, Treasurer, I do not have faith in your forward estimates because, as history would show, your forward estimates mean little in outcomes. Indeed, your budget means little in outcome. From memory, we were to have a balanced budget this year but it will be in deficit. When we look at the reconciliation statement, we see \$75 million worth of outlay increases in the last budget year, since the presentation of your last budget. Your budget is good only if you can stick

to it. Evidence would show that you are having great difficulty in sticking to your budget.

My second question will deal with your claim that this is a balanced budget when clearly it is not. Extraordinary and one-off items have been used to prop up your budget bottom line, none more evident than the holding off of a dividend from SAAMC and, of course, the sleight of hand with superannuation liabilities. Why do you continue to call this a balanced budget when, on any proper reading of the numbers, it is apparent that it is not a balanced budget but is, indeed, a budget in deficit? That is not just my saying it: you have Cliff saying it as well.

**The Hon. R.I. Lucas:** In relation to the dividends from SAAMC and superannuation, the Government has already fully outlined its explanation for it both in answers to questions in the House and also in the budget speech. I am surprised the honourable member has not taken the trouble to refresh his memory on the budget speech which I delivered and also the budget documents. There is nothing hidden; the Government has been quite up front in terms of its explanation. In relation to superannuation, the Government has taken a quite clear policy decision—

**The CHAIRMAN:** Order! I would like quietness from the press gallery.

**The Hon. R.I. Lucas:**—that is, we looked at what all the other State Governments were doing about repaying their unfunded superannuation. We looked at some of our wealthier colleagues in Victoria, which has its debt very significantly under control. Through a significant privatisation program Victoria was able to reduce \$30 billion worth of debt to about \$3 billion in a short space of time. New South Wales has a much higher level of taxation than South Australia does, under both Labor and Liberal Administrations, but currently under a Labor Administration. When we looked at those wealthier States we found that they were actually tackling the funding of their unfunded superannuation over a period of 50 years. South Australia, a small regional State battling significant problems, battling an Opposition which refused to resolve the problem it created for the State and for the budget, and with other problems that small regional economies have, was endeavouring to pay off its unfunded superannuation over 30 years.

The Government looked at that and took a clear policy decision and said, 'Yes, we believe we can still do it more quickly and better than our wealthier colleagues in New South Wales and Victoria, but need we do it to the degree of paying it off over 30 years?' The Government's policy decision was that we would do it over 40 years and not the 50 years that New South Wales and Victoria are tackling at the moment, but 40 years. That does free up some additional budget flexibility for the Government. It is not hidden: it is open and we have been accountable about it. We have defended the policy decision and, clearly, if the shadow Treasurer is indicating today that he opposes it and will reverse it should he ever be Treasurer, I challenge him to say so in this Chamber.

*Mr Conlon interjecting:*

**The Hon. R.I. Lucas:** Not very good ones. I doubt very much that we will hear a squeak from him in relation to the policy issue because his front bench will not allow him to. Nevertheless, I will seek his response at some stage today whether, having criticised this particular policy position loudly and now in this Chamber today, he is indicating that, should he be the Treasurer, he intends to reverse it and repay

superannuation over 30 years. I will wait with bated breath for that position.

In relation to SAAMC, which was the other aspect of the question, I remind the honourable member that, having spent 11 years in Opposition and having studied the financial performance of the Bannon Government and of Labor Governments, the item that the Labor Government, supported by the member for Hart, used in terms of one of the balancing items for their dividends was SAFA dividends. Every year in June there would be an item used by the Labor Government through SAFA in terms of a balancing item. The Auditor-General at various stages has commented not only on that but also on the use of balancing items by the Liberal Government over the past five or six years. I do not wish to put words into the Auditor-General's mouth because I do not have the quotes here with me, but I do not think by and large I am being unfair to the Auditor-General's Reports by saying it has not been an issue about which he has jumped up and down in terms of criticism. He has highlighted it but, in the end, acknowledges that these are policy decisions that Governments take.

After all, they are moneys that exist out there in Government agencies, whether it be SAFA or SAAMC, and the Government and Treasury, based on the best advice I can get, can choose when those dividends can be brought to account in the budget. As long as you are open and accountable about it, as we are being—and I must say it is much more difficult in Opposition to track back the history of the SAFA adjustments—I think the budget accounts now are much more open and accessible and explicit in terms of the SAAMC dividends. We have been clear about it and it is a policy decision.

The only point I would make in relation to SAAMC dividends is that, given that they are essentially one off revenue items, by and large they should be used for one off expenditure costs. In the advice I have from Treasury and in the construct of these accounts, these one off revenue items by and large can be accounted for by one off expenditures. If you are using one off revenues to underpin a whole series of ongoing recurrent expenditures, then you may well have a significant problem and it is not something I would support as Treasurer.

**Mr FOLEY:** I do not disagree with some of the comments that the Treasurer has made about the construction of budgets under former Labor Governments. In fact, I share many of the Treasurer's concerns and criticisms about aspects of the former Labor Government's management of the State's Treasury, and I intend to do a better job. We might get a better explanation of why many of those decisions were made by the former Bannon Administration by asking a number of officers, who may be present in the Chamber today. They are in a much better position to provide those answers because I simply was not a party to those decisions.

*The Hon. R.I. Lucas interjecting:*

**Mr FOLEY:** Absolutely. The point is that I was not a member of the Government at the time, but many of the officers, some here today, were much closer to the decisions concerning the bank, SGIC and SAFA than I was.

**The Hon. R.I. Lucas:** You were a key adviser to the Premier.

**Mr FOLEY:** I was a key adviser to the Premier, but not that Premier. I was an adviser to Premier Lynn Arnold. Our job was to put in place a short-term plan, as it turned out, to rescue the State from the disasters befalling it from the former Premier's Administration.

*The Hon. R.I. Lucas interjecting:*

**The CHAIRMAN:** Order! I ask the Treasurer to allow the member for Hart to ask his third question.

**Mr FOLEY:** I came in with almost a receiver-manager's role to see if we could plug a few holes in the dike.

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

**Mr FOLEY:** I do, Sir. The Treasurer's logic on the \$100 million of dividend from SAAMC was amusing, to say the least. The logic was that, if we get a \$100 million dividend from the old bank, provided we spend it on a one-off payment, that is okay, but we should not use it for recurrent funding. My logic suggests that, if there is a \$100 million refund from the bad bank, it should be paid off the debt that the bad bank created. What was the \$100 million of special expenditure that the dividend from SAAMC funded?

**The Hon. R.I. Lucas:** I am happy to bring back some detail on that, but they are essentially one-off capital costs. As I indicated earlier, and the member for Hart has agreed at least in part with the proposition that I put, if we are to spend money from a one-off revenue source it is better that it is done in a one-off expenditure way. Essentially it will be spent on capital works programs and I am happy to bring back some detail in relation to the sort of one-off capital expenditures that the Government has brought into account in relation to the \$100 million that the honourable member asked about.

**Mr MEIER:** I have heard the Treasurer mention that this year's budget has a greater focus on outputs and outcome. How will the shift to an outputs-outcome budget improve decision making and resource allocation in the public sector?

**The Hon. R.I. Lucas:** This is an opportunity to make some brief comments about the overall shape and structure of the budget papers. There has been a very significant shift in our budget statements over the last two years with the introduction of accrual accounts. Most members—Government, Opposition or Independents—are broadly supportive of the notion of properly bringing to account the costs of delivering services. We should not hide away long service leave and employee entitlements, superannuation costs, or a variety of other things which might not have to be paid for immediately in a particular year but can be left for future Governments.

One of the dilemmas that we have had is that previous Governments of both persuasions have not funded our superannuation. It has been this Government that has been prepared to put down a plan to try over a long time, 40 years, to repay that \$4 billion worth of unfunded superannuation. The situation applies equally with long service leave. Having been Minister for Education, I know how easy it is with large numbers of staff to put off bringing to account long service leave costs and a variety of other similar costs that are not paid out on a year-by-year basis. That was the first step.

In relation to the second component, I believe that this year's document is the first genuine attempt to try to provide greater detail in outputs and outcomes and, in particular, greater detail on performance information of the various departments. I would be honest enough to say that this is the first attempt at outputs and outcomes and performance indicators, and I would hope that, over the coming years, we will see further refinement and improvement in the quality of the information that we can provide to members on these issues. For me, I suppose the key has been the introduction of performance indicators and requiring the departments in their own way to try to indicate the sorts of outputs and outcomes that they are seeking to deliver and, secondly, trying to set up some sort of indicator as to how that can be

measured in terms of their performance. We hope that, over the years, members will then be able to see whether or not those targets have been met. If they have not been met (and there may well be good reasons why they have not on occasions), there can be some explanation and then, hopefully, some explanation for where there might be some improvements.

This is a big area, and I do not intend to take up the time of the Committee by giving a more detailed and long-winded response in terms of outputs and outcomes and, more importantly, performance indicators. However, I believe that it is a most important budget reform, and it is just a start. I believe that there are a number of areas even in the detailed exposition that we have seen in the past few weeks in terms of preparation for the Estimates Committees this week and next week. I know that other Ministers and I have looked at some of the detail and thought about how that can be improved to be of more use to members and, indeed, to departments in the future. I can assure the honourable member that departments and Ministers will be looking at that aspect over the coming years.

**Mr MEIER:** I am aware that last year we were introduced to accrual budgeting for the first time as such. What is the introduction of accrual appropriations intended to achieve, and how will the Government ensure that appropriations for non-cash expenses are used appropriately by agencies?

**The Hon. R.I. Lucas:** This is one important issue and, again, I could give a long response but I do not intend to do so. However, there is one aspect of which I think members ought to be aware and which ought to be placed on the record. The payment for outputs in these documents covers the net full accrual costs of the production of outputs costs, which include growth in liabilities, including employee entitlements and depreciation. Therefore, in some cases, more cash is provided by way of appropriation than is needed for agency operations in the year. This additional funding is first applied to an agency's investment program, with any remainder required to be lodged with the Treasurer in a special reserve account that can only be used for future approved requirements. Where this funding is insufficient to cover the current year capital program, an equity contribution is provided.

I made sure I read that out so as to ensure that I got it technically correct but, in laypersons' terms, I think we can all grasp pretty easily that, with respect to some of our agencies, for example, Education (and I will have this checked but I am pretty sure that the best example is probably Education), they will have an investing program (what we knew originally as the old capital works program) of X million dollars for schools, child-care centres and TAFE institutes, for example. However, the allocation that we provide now under this new accrual revenue approach is significantly above that element, and that is so because of the treatment of depreciation.

Whilst the money goes to the particular agencies, there are these restrictions in terms of their not being able to spend that extra element, which is meant to be targeted for depreciation, on building new schools and TAFE institutes, for example. It would defeat the purpose of providing the appropriation to the agency. So, there are some agencies (and, as I said, I think that Education is probably the best example of it, but I will double check that information) where this aspect, which is quite new, has been introduced and, as I said, I believe it is an important issue to place on the public record.

**Mr MEIER:** I notice in the budget from time to time that the phrase 'performance measures' is used. What are performance measures, what are their benefits and what are the intended improvements in that respect in the next 2000-2001 budget?

**The Hon. R.I. Lucas:** Again, I can give a longwinded response but I will not do so. I know that members in other Committees will pursue the performance indicators in their particular areas. I refer to Treasury and Finance (which is this department, obviously) as we have worked our way through. For example, one of the performance indicators that we are looking at in terms of the quality of the performance of budget and financial management is the percentage forecast errors in the budget papers. There is a pretty tight target there for 1999-2000: less than 1½ per cent forecast errors. I cite this as just one example because I think that, if this information is to be useful, obviously, as we move through the years we will need to look at the usefulness of the measures, and we may well find that certain measures are not proving to be useful and that we will need, therefore, to turn to different measures.

For some measures and for some years, departments and Governments might not, through no fault of their own, be able to meet their particular best guesstimate. Some issues will be almost absolutely within the control of the department and, therefore, can be held directly accountable. When you are trying to estimate the level of payroll tax, for example, or stamp duties, you are trying to guess as to how productive the State, the national economy and the international economy will be. So, I think, again, we all need to be sensible in terms of how we interpret performance measures.

With respect to something such as forecast errors, in the end, if for years on end you are 100 per cent out every time on every measure, you would want to start asking some questions about the advice you are getting from Treasury and Treasury officers. However, as is more likely to be the case, you will see some variations and, if the national economy has moved in a way completely different to the way that the Commonwealth Treasury has predicted, for example, you may well see some significant changes in terms of the forecast errors.

So, that is one example of performance measures, but there are many others. In some areas we are still trying to think of an appropriate performance measure. So, one will see in some of the documents blank spaces at this stage: either it is not available or it is not appropriate to have a particular performance indicator.

In some of the delivery departments, such as Education and Health, for example, it is much easier in terms of developing these performance indicators, and the measures will be much easier to monitor over a period of time. The number of operations, the waiting lists and those sorts of things are tangible and accountable and, by and large, agencies—within their funding amount, obviously—will be responsible. In Education (my own area), literacy performance and numeracy performance in the basic skills test will be an important performance indicator. I would have thought, over the years. Retention rates will be another one. Again, Ministers and departments will be able to argue that national influences might impact on those indicators.

I think that, for the first time, we are starting to see some very useful information coming out and, as I said, it is the first real go at it, and over the years I am sure it will be refined and developed. If the honourable member and, indeed, Opposition members have particular suggestions for

improvement in terms of the construct of the budget papers, I am always happy to have a discussion with any member in relation to any suggestions that they might have.

**Mr FOLEY:** With respect to the issue of 5.2 per cent real growth in outlays, clearly, in large part, that has come from capital works—and the Treasurer has admitted today that this \$100 million that we have taken from the bad bank has funded, he thinks, capital works but he will get back to us.

I want to concentrate now on capital works. In a recent radio interview on 5AA from memory, you indicated that there was considerable difficulty within Government at present in managing your capital works budgets and that it was causing you some concern about just the way in which you were able to manage it. Obviously the estimated cost, the budgeted cost and final cost was proving very difficult. I raised this with the Premier last night, and you may not have had a chance to catch up on the *Hansard* this morning, but I will read part of it to you in case you have not been advised of what the Premier said. I put a similar question to the Premier, and this is what he said:

A concern to me has been the allocation of Government funds for capital works programs, especially when in any given year and for a variety of reasons those funds are not expended. I find it annoying and frustrating that, having gone through a very difficult budget process, as we have for six years, and having allocated funds in a priority sense, the agencies have not delivered the projects within the time frame; this is of concern. It is a matter that I have asked Cabinet to address and it is a matter that we are also reviewing because it is unsatisfactory to be rolling over on an annual basis unspent works for a project in subsequent years.

He then went on to say:

Secondly and importantly, as to the import of the question that we see an escalation in the costs of the capital works program and demonstrating a lack of diligence perhaps... by the Government.

These are the Premier's own words. That is fairly serious—is the Treasurer listening?

**The CHAIRMAN:** Order! The member for Hart will continue.

**Mr FOLEY:** I was just asking whether the Treasurer was listening or whether he was just reading his own budget papers.

**The Hon. R.I. Lucas:** I am reading the budget papers.

**Mr FOLEY:** A good idea, but I am actually asking you now about your capital works and comments of the Premier last night. On the public record, the Premier—

*The Hon. R.I. Lucas interjecting:*

**Mr FOLEY:** You can? You are very clever. Sorry, I have underestimated you. The Premier said last night that there are some unsatisfactory practices with managing the capital works program, but more importantly, from my point of view, he said that he believes there would appear to be a lack of diligence from within Government. Can you comment on that? Clearly it is the capital works budget that is causing you most budgetary concern. Would you please advise us as to what your fears are and how you intend to deal with them?

**The Hon. R.I. Lucas:** Can I assure the member that I always listen to his questions but they are predictable and once he starts the first sentence one knows where he is heading, so one does not have to concentrate too much on the rest of the question. I have not seen the Premier's comments from last night. I was not at the Estimates Committee, but I think the member for reading the Premier's comments. I think the member was referring to a recent 5AA interview we did with Ray Fewings where we talked about capital works. Certainly the issue I was raising there—and I will then move on to the issue the Premier was canvassing—was the notion

that before the Government gets to the stage of putting out estimated costs of projects, particularly with respect to very big projects, it needs to get the next step down the path in terms of quantifying those costs. That is not just a personal view. That is now a Government position. The Premier obviously hinted at that last evening. He may well have further discussed it in other discussions he had with the shadow Treasurer last evening.

When one looks back over the past five years, one sees that there have been occasions when the Government gets an initial estimate from the department as to what the cost is of a big project. It puts that figure out in the public arena by way of public statement and then, when the detailed cost estimates are done by the department and various advisers and/or consultants that put together these final cost figures, the figures are higher. The discussion I was having with the shadow Treasurer on Ray Fewings was that it is not actually a blowout: it is the first really detailed exposition of the costs. It is too easy a kick for the Opposition to resist saying it is a blowout. I do not blame the Opposition for doing it. Oppositions of all persuasions have done it and I am sure will do it at various stages in the future—

*Mr Conlon interjecting:*

**The Hon. R.I. Lucas:** Not knowingly, anyway. The point I was making to the shadow Treasurer on that radio interview, and I am happy to do so in the Estimates Committee, is that the Government has to get better in terms of any original cost that you put out. You can wait that further step and get the detailed cost from the individual people, which means you actually have to spend more money. To get the detailed cost you have to spend sometimes a reasonable lump of money because the engineers will say we have not had a chance to do the soil tests and look at the footings and all those sorts of things which, in the original estimate, someone would have said this is how much the building costs will be to put up this school, netball stadium or whatever. If there are particular soil problems in that area, and unless you do the soil tests and the engineers look at the footing costs and the detail of that particular site, you do not get that sort of detail.

So, either the Government has to get to that next level so it spends money and gets that greater detail in terms of the cost and then puts the figure out into the public arena, or its original estimate has to be in terms of broad parameters, and the broad parameter says that the initial estimate, subject to final testing, may well be somewhere between \$25 and \$30 million or between \$40 and \$60 million. Depending on how big the project is, some ballpark estimate must be given. It will be up to the various Governments to make decisions as to which particular path they go down. This Government's view has been that, for the big projects—and you obviously cannot do this for the small projects—as a result of the recent discussion we have had, you may well have to go to that next step before you put out a public figure. You might have to spend a reasonable sum of money in terms of trying to get a better degree of detail as to what the costs might be. In part, that is what the Premier was referring to last evening with respect to 'diligence'. In this particular area, there is diligence and greater work that we all need to do as a Government in terms of some of these capital works programs.

The only other point I would make—and again I put on my hat as a former spending Minister as Minister for Education—

*Mr Foley interjecting:*

**The Hon. R.I. Lucas:** Yes, we do spend more than other States, and we do so proudly in education. If the shadow

Treasurer is indicating he will cut back on education spending should he ever be the Treasurer, I invite him to have a discussion with the shadow Minister for Education about his plans, because she is actually opposing the current reductions in expenditure in education.

*Mr Foley interjecting:*

**The Hon. R.I. Lucas:** The member for Hart cannot expect to interject and then be unmolested in terms of the response. If he wants to interject, let him accept the molestation that will come from the Treasurer.

*Members interjecting:*

**The CHAIRMAN:** Order!

**The Hon. R.I. Lucas:** As a spending Minister in education, I will give one example of many that I could have. With respect to the Tanunda Primary School, I was desperate to spend \$4 million or so in Tanunda on a new primary school, but there was a father of a brawl that went on for almost two years between the local council, the school council, the department and a variety of others—

*Mr Conlon interjecting:*

**The Hon. R.I. Lucas:** We have spent a lot of good money in some of your schools and they look sensational now.

*Mr Conlon interjecting:*

**The Hon. R.I. Lucas:** Is Hamilton in yours?

**Mr CONLON:** Yes.

**The Hon. R.I. Lucas:** A sensational school. I visited it recently, and Hamilton Secondary College is a magnificent school with magnificent facilities, right in the middle of the member for Elder's electorate so he tells me.

*Mr Conlon interjecting:*

**The Hon. R.I. Lucas:** So have I!

*Mr Foley interjecting:*

**The CHAIRMAN:** Order! I would invite all members to concentrate on their responsibilities in this Committee.

**The Hon. R.I. Lucas:** The member for Hart might like to keep his colleague, the member for Elder, quiet.

**The CHAIRMAN:** Order! The Treasurer might like to answer the question, too.

**The Hon. R.I. Lucas:** I am being provoked by the member for Elder. The Tanunda Primary School is a perfect example where the Government wanted to spend the money but was being held up. In respect of Seaton High School, I remember that the Government wanted to spend approximately \$1 million to \$2 million but the school's principal was actually wanting to undertake the expenditure in a different way. He asked the department to stop the spending of the program. The member for Hart would very well know that the principal at Seaton, David Tonkin—

*Mr Conlon interjecting:*

**The Hon. R.I. Lucas:** Only a couple. They are practical examples of why it is sometimes beyond the control of the particular Minister to force the expenditure. With the school principal saying, 'Don't spend the money because I want to show you a different and better way of spending the \$1 million or \$2 million; hold it up,' that was held over from one budget year to the next. As the Minister I kept saying, 'Look, I want to spend this money in your school. We want to undertake this expenditure.' Principals and school communities were saying to me, 'No, don't.' That is part of the problem in relation to overflows of capital expenditure. In conclusion, clearly, Ministers might have greater ability to control a capital works expenditure in some other areas, and I am sure it was to some of those areas the Premier, at least in part, was referring last evening.

**Mr FOLEY:** I have almost forgotten what my question was. I appreciated the frankness, openness and directness of the Treasurer's answer until the point where he fell back into his normal political rhetoric. However, I thought it was a good feature, Treasurer; you do it well and you should do it more often, that is, move away from politics and get onto substance. The Treasurer has confirmed—

**The CHAIRMAN:** Does the honourable member have a question?

**Mr FOLEY:** I do, Sir, but the preamble is important to the question. The Treasurer has indicated today that his—

*Members interjecting:*

**Mr FOLEY:** Caning or molesting?

**The CHAIRMAN:** Order!

**Mr FOLEY:** The capital works budget is clearly a significant problem of Government and the Treasurer has confirmed that today.

*Mr Conlon interjecting:*

**The CHAIRMAN:** Order! Would the member for Conlon like to go and have a cup of coffee? The member for Hart.

**Mr FOLEY:** The capital works budget is clearly a major problem for Government. It is causing significant blow-out. Government has a 49 per cent increase in outlays for capital works this year and that is resulting in a 5.2 per cent growth overall. I now draw to the Treasurer's attention a more specific issue that the Premier raised last night, which I think should alarm all people listening and all people reporting the events of this Parliament. The Premier, to further explain this issue of problems with capital works, cited this example:

We can put checks and balances in the system to ensure that estimates are outcomes. I have been concerned that, when seeking funds, an agency might leave part of the project out so that it comes within the allocation to the agency. Upon commencement of the works someone finds that the sprinkler system was not included in the first place. That adds \$1 million or the like to the project and it takes it over the funds that were originally committed. When I see a project like that it would appear that someone has sought to get approval for the project under a limit with an expectation they could take it over the limit afterwards when there was full commitment to the project.

The Premier further stated:

I also believe that the set of circumstances is also unsatisfactory.

In an extraordinary and most serious allegation, the Premier further states:

It does not matter what the project was.

I asked what the project was—and I will also ask the Treasurer that question shortly. The Premier continued:

It seems to me that, with the sprinkler system in, there were not sufficient funds. You start the project and then you identify that the sprinklers are not in, and you then have to find the money from somewhere else and go over the original estimate to be able to put them in. I think I have made the point. Our best endeavour is to check and monitor to ensure that that does not happen.

In conclusion the Premier stated:

There have been several incidences in the last year, and that also has been unsatisfactory. I have expressed that to the Ministers and the departments concerned.

I doubt that I have heard a much more serious allegation from a Premier about the performance of a capital works budget of Government than that. The Premier last night gave a big vote of no confidence in the way this State handles capital works. He then states that, in one specific incident, a sprinkler system was involved that was valued in excess of \$1 million (we are not talking small change here). It was not so much that the sprinkler system was omitted but that the Premier was alleging that some agencies are deliberately leaving out

components of capital works projects to get them under the line and then, once the thing is half up, the omitted item must also be funded.

The Premier said that, in the past year, there have been several incidents. Will the Treasurer respond to this quite serious statement made last night by the Premier; and will he particularly tell us to what project the \$1 million sprinkler system relates and what are the other incidences to which the Premier referred last night where agencies have submitted a cost deliberately to mislead the Government?

**The Hon. R.I. Lucas:** In order of priority, if this is the most serious issue the shadow Treasurer believes is in the public accounts, he obviously has not done enough homework as shadow Treasurer—sprinklergates, or whatever it is. I do not know what the project is. The honourable member had the opportunity last night to ask the Premier. He would need to pursue the issue with the Premier. In relation to sprinklers or, indeed, other issues—

*Mr Foley interjecting:*

**The Hon. R.I. Lucas:** I do not know.

**Mr FOLEY:** Then find out.

**The Hon. R.I. Lucas:** The honourable member can ask the Premier. If the honourable member wishes, I will ask the Premier for him.

**Mr FOLEY:** You are the Treasurer.

**The Hon. R.I. Lucas:** I know I am the Treasurer. Thank you for telling me. I will take the issue—

*Mr Conlon interjecting:*

**The Hon. R.I. Lucas:** I do not want to be the Premier, thanks, member for Elder. I am quite happy where I am at the moment, thank you. I am happy to take up the issue with the Premier. If the Premier gave an undertaking to provide a response last evening to the honourable member's questions I am sure he will do so. I do not have any direct knowledge of sprinkler systems in capital works. It is not my area of expertise. The more significant issue that the—

**Ms THOMPSON:** You have been too busy closing down schools.

**The Hon. R.I. Lucas:** Not in recent times but certainly as Minister for Education I closed or amalgamated up to 40 schools in South Australia. But, of course, the shadow Treasurer, who wants to cut back expenditure in education will have to do that and a bit more, won't he? Unless, of course, the member for Reynell does not let him. It is interesting, we get criticisms about cut backs—

**Mr FOLEY:** Answer the question.

**The Hon. R.I. Lucas:** This was a comment from your colleague.

*Mr Foley interjecting:*

**The Hon. R.I. Lucas:** The honourable member's colleague made the interjection criticising school closures in South Australia. Again, another example where the Government seeks to reduce costs and the Labor Party, the Opposition, opposes it, yet we have the shadow Treasurer trying to wax lyrical about increases in cost in public expenditure. I highlight that. If the member for Hart does not want his colleagues to interject he should ask them not in terms of this Estimates Committee. In relation to the more general issues—as I said, I have no direct knowledge of sprinklers and the particular capital works—I am sure the Premier's position would be, and I would support him, that, if he can demonstrate that either an officer or a department has deliberately sought to exclude costs that should have been included, then appropriate action should be or would be taken in relation to those officers.

*Members interjecting:*

**The Hon. R.I. Lucas:** Ultimately that will be a judgment we take in the particular circumstances. I do not know the details of the sprinkler capital works case to which the honourable member refers. He had the opportunity to pursue it with the Premier last night. He obviously did so. I am happy, upon his request, to take up the issue with the Premier to see whether he has any more information he is prepared to provide to the Estimates Committee in terms of the two week deadline for further responses.

**Mr FOLEY:** As usual we get a non-answer; we get a political answer. The Premier chose last night, by way of illustration, to make mention of an example of a sprinkler system that was not identified originally in a project cost of in excess of \$1 million. The Premier then went on to make the somewhat extraordinary comment that it would appear that someone had sought to get approval for the project under a limit with an expectation that they could take it over the limit afterwards when there was full commitment to the project. That is a most serious allegation by the Premier that an officer or officers deliberately withheld \$1 million of capital expenditure so that they could get the project started. The Treasurer may not find that important; he may find that not within his area of responsibility. I happen to think it is.

What concerned me even further was the Premier's statement that that was only one of several incidences in the last year that have also been unsatisfactory. My direct question to the Treasurer is: what was the project in which, according to the Premier, this \$1 million sprinkler system was deliberately withheld from Government? Secondly, what are the other incidences to which the Premier referred last night and which relate to unsatisfactory performance with the capital works budget? It is a legitimate question and a legitimate answer should be provided.

**The Hon. R.I. Lucas:** I am happy to give legitimate answers. Indeed, I refer the honourable member to the answers to the two previous questions. I do not know: I am happy to take up the issue with the Premier to see whether he is prepared to provide any further information to the—

**Mr FOLEY:** On a point of order, Mr Chairman, could you please provide a ruling? I have asked a specific question of the Treasurer as this is his budget line—

**The CHAIRMAN:** There is no point of order.

**Mr FOLEY:** He is refusing to answer it now or on notice.

**The CHAIRMAN:** The Treasurer is entitled to provide whatever answer he sees fit.

**The Hon. R.I. Lucas:** I have indicated, and do so again, to the member for Hart that I do not know. I am happy to take up the issue with the Premier. Evidently, this issue in relation to sprinklers was first raised with the Premier last evening. I am happy to see whether the Premier has any more detail that he is prepared to provide to the Estimates Committee in the normal course of its operations.

In relation to the more significant overall issue, I refer the honourable member to the answer to the first question, which was a sensible question and there was a sensible answer to it; that is, that the Government—forgetting about sprinklers or particular details like that—is concerned and has taken action, particularly in relation to these big projects, to try to get a greater degree of detail in terms of the final costs before we actually announce a total figure.

I imagine that, if there are other examples to which the Premier has referred, these are the sorts of things that would be picked up as part of that process. If there are issues or additions or costs that should be included in a particular Cabinet



submission or budget bid, whatever it might be, then the appropriate costs ought to be included in the particular capital works bid. I acknowledge the overall issue. Indeed, prior to last evening, in that Ray Fewings interview which the shadow Treasurer enjoyed with me on one cold evening, I already acknowledged that the Government had identified this as an area of importance. We had already instituted some action to try to rectify it and we will continue to take that sort of action.

**Mr FOLEY:** What I do at least appreciate is acknowledgment that we have a serious problem with the capital works program. My colleague the member for Reynell indicates that from information she has received on various parliamentary committees we have seen a \$3 million blow-out in the Performing Arts Centre; \$3 million plus from the Aboriginal Cultures Gallery; we know of the Hindmarsh Soccer Stadium; and I think the Wine Centre has blown out, as has the radio network. The Treasurer talked before about what I would do as Treasurer. I hope that I would have better control on the capital works side of the ledger because, clearly, that is where the Treasurer's most difficult position is, as he himself has acknowledged.

Will the Treasurer provide me with a reconciliation in terms of certainly the past year, and perhaps we could go back a few years, to show me the original estimate for all major capital works over \$4 million, what was included in the budget figures and what was the final outcome, so that we can develop a picture over recent budgets as to what has occurred in the capital works programs?

**The Hon. R.I. Lucas:** I will take that on notice and see what information we might be able to provide. Whether we can do it for all projects over \$4 million and for what period, we would need to look at. I am happy to take that question on notice and see what information we can provide within the time frame allowed.

**Mr WILLIAMS:** The member for Hart alluded to the New South Wales budget, which I believe was handed down yesterday, and I was listening to some statements that came from there and read some reports in this morning's press. What strategy does the Government have post the GST and the changes in arrangements that will flow from that, particularly since the statements out of New South Wales were that they do not expect the States to get any gains out of the new source of revenue (via the GST) for at least eight years. I think it has been generally accepted that it will be somewhere between five and 10 years before any of the States start to see gains from that revenue base.

Considering what the State Government has done, particularly in the past two budgets, where there has been a considerable increase in capital based taxation, is that the strategy with which we will be stuck for the next five to 10 years, or are there other strategies in train?

**The Hon. R.I. Lucas:** Under the revised intergovernmental agreement, South Australia is still likely to see on the current estimates a ball park improvement in our finances of around \$60 million to \$70 million in 2004-2005, and at that level from 2005-2006 onwards, we hope. I am not sure where the eight years comes from for New South Wales. Frankly, New South Wales walked away from the recent Commonwealth Grants Commission arrangements with an extra \$150 million or so as a result of the Grants Commission's recommendations. So, it did pretty well out of the most recent reassessment of the relativities under the Commonwealth Grants Commission for the next five year period. And that is \$150 million per annum, I am reminded; it is not just a one-

off but an ongoing \$150 million. That obviously assisted Treasurer Egan in terms of the construct of his budget.

The difference between the five year relativity agreement and the three year relativity agreement for us in 1999-2000 is a one-off impact of \$47 million. When we talked about some of the difficulties of 1999-2000 as opposed to the out years, capital works is one where you have this flip-over of expenditure from 1998-99 into 1999-2000. But we also have, under the Commonwealth funding agreement, a more significant impact on our budget in 1999-2000 than we do in the out years of 2000-01 and onwards. It actually improves for us in those years. However, in that one year 1999-2000, for this particular budget, we have a relatively significant hit.

The difference between the five years and the three years would have been a difference of \$47 million for us here in South Australia. For a small State and small budget, \$47 million is not to be sneezed at. That is about half the size of the Rann power bill increase that we were going to have to impose from 1 July. That was an average of \$186 a household, so in a rough, back-of-the-envelope estimate you are talking about \$100 a household.

So, when you are looking at the New South Wales budget and their circumstances, they have this ongoing \$150 million a year benefit. Evidently, they have announced this morning some commitments to further reduce payroll tax in New South Wales, and Jeff Kennett in his budget recently reduced payroll tax to 5.75 per cent, I think. Both the big States are now reducing their payroll tax.

In terms of competitive advantage for a small State such as South Australia, that has to be a concern. As to the member for MacKillop's question about where we look to for the future, we have steered clear of payroll tax. It is our biggest revenue earner in terms of tax—

*Mr Foley interjecting:*

**The Hon. R.I. Lucas:** Indeed we are, shadow Treasurer. I thank you for your advice. I am not sure where the eight—

*Mr Foley interjecting:*

**The Hon. R.I. Lucas:** We might even get a song from the shadow Treasurer if we are lucky, although he is not much of a singer! I am not sure where the eight years comes from the New South Wales Treasurer, but certainly by 2004-05 and then onwards we would see some benefits. In terms of our forward strategy and the honourable member's sensible question, we hope that from 2004-05 onwards we will have this benefit. In a number of other jurisdictions, although not all, the actual revenue from a goods and service tax is sometimes higher than first predicted or projected.

If that occurs, clearly some benefit will flow through to the States, because the GST will flow. The benefit to the States is that we will have access to a growth base. Albeit that we will have to wait for a period where we are protected, we get no less than we otherwise would have got and have this prospect. Therefore, we have this four to five year period that we have to fill in, and we have to do that with our existing tax and revenue base. We have to control our expenditure and our wages growth, which is why, for example, we are trying to sign three year enterprise agreement deals and why we have been fighting the teachers' union for 12 months. In all those areas, we seek to make sure we retain balanced budgets and reduce the debt through the lease of the ETSA assets during this period; then from 2004-5 onwards we should have some greater flexibility.

**Mr WILLIAMS:** I have some concerns about how we will change our tax base from its current position to where we want to be in the five years to 2004-5. Budget Paper 2

(page 3.2) indicates that there has been a strong growth in total operating revenues of 4.8 per cent. Table 3.2 details the revenues and expenses in the budget in broad terms. The third item on the revenue side is regulatory fees and fines, and there has been a growth of 13.1 per cent. Why are regulatory fees and fines under the same heading and not separate? I would assume that the 13.1 per cent increase is way in excess of how the fees have been going up over the past few budgets in line with the consumer price index or a similar index, and that seems a fairly large increase. Is that due to fines and, if so, what fines are involved?

**The Hon. R.I. Lucas:** My advisers are trying to get some detail on that. In terms of your general question involving growth in revenue, I refer the honourable member to the table that the member for Hart and I were discussing earlier on page 2.4 of the Budget Statement. As the honourable member knows, the member for Hart has been looking on the outlay side which is the 5 per cent line. I referred him to the underlying consumption expenditure including superannuation. In this document, Treasury has produced the last line which is our own source revenue real growth, that is, the amount of money we generate as opposed to that which we have been given by the Commonwealth Government through Commonwealth-State financial agreements. If you then exclude the SAAMC dividends, which are essentially one-off dividends, and look at the growth in revenue that the State taxes generate, you see a 5.9 per cent increase in 1999-2000; in the following year, a reduction of .3 per cent; the year after that, an increase of .9 per cent and a reduction of .2 per cent.

If we forget the small ups and downs, essentially it is a balanced position. We are not underwriting this forward estimates program with further huge increases in revenue projected into our own source real revenue growth. Through the variety of other mechanisms—obviously through our leasing of assets and the premium we will get from that and also various other measures we have discussed in a range of other questions—we seek to continue to maintain a balanced budget without there being a need during this period—if we move through to the GST—to have further increases in capital-based taxation, which was the subject of the member's first question.

The Attorney-General had a story in the *Advertiser* this morning about a unit that has been put together to collect unpaid fines—chasing up people who have been fined but who have not paid. That story highlighted that a lump of money had not been collected. We understand that the Attorney-General and Justice are predicting a lot of that uncollected money will now be collected through this special targeted program with this unit. We understand a good lump of this might be due to that. There may well be some expectation in relation to traffic fines. As you know, the Minister for Police has announced that some new police cameras will be in use, and it may well be that there is some estimate of an increase, given that this year's estimate for traffic fines has dropped significantly. I am pretty sure the figure for this year has dropped significantly in terms of the actual revenue. With regard to next year's increase, we have seen a reduction and we may see some retrieval of that figure.

**Mr WILLIAMS:** I have been having some problems with the collection of the emergency services levy, specifically with the way it has been collected and the mobile property component of it. I refer the Committee to Budget Paper 2 (page 6.2). The mobile property component of that is \$35.6 million. My understanding is that the Motor Registration Division of Transport SA will charge about \$2 million

to collect that component of that levy which, by my quick calculation, comes out to about 5.5 per cent of the amount being collected. I also understand that the Motor Registration Division collects compulsory third party premiums in a similar fashion and that it charges a rate of 1.8 per cent for collecting those fees. Can you confirm those figures and explain why the Motor Registration Division is charging us three times the amount to collect the emergency services levy fee than it charges to collect the compulsory third party fee?

**The Hon. R.I. Lucas:** The Acting Under Treasurer has indicated to me that he thinks it is charging about \$1 million rather than \$2 million. Nevertheless, the member's question—at least in part—remains unanswered. I do not have the detail of that. We can undertake to talk to the Minister and the agency, and provide a response within the normal two week period.

**Mr FOLEY:** I want to deal with the interest cost of servicing our outstanding debt which varies depending on which table you look at. I am trying to get a handle on just what our general Government debt is at present. Assuming it is approximately \$5 billion, would that be a reasonable figure of general Government debt?

**The Hon. R.I. Lucas:** In the non-commercial sector, it is about \$5.7 billion.

**Mr FOLEY:** When you look at the forward estimates, you see that interest payments, on a rough estimate, are approximately 9 to 10 per cent, certainly in the out years, in two or three years, in 2002-3. Are we having problems with our debt management profile, or are we having numbers factored into our forward estimates that are higher than they should be? We have been in a low interest rate environment now for some years. Expectations are that we will remain in a reasonably low interest rate environment for the next few years.

Looking at some information the Treasury has provided, we have rolled over a lot of our State debt in recent years. No doubt there are still further amounts maturing and I appreciate that the system of managing that debt is such that we have to get an average rate, but it seems that certainly in the out years our average rate of interest still seems to be very high.

**The Hon. R.I. Lucas:** For a significant part we need to thank the member for Hart and his previous Government which he so loyally served. A number of the loans in our debt portfolio were long-term loans taken out during the 80s by the Labor Government—

*Mr Conlon interjecting:*

**The Hon. R.I. Lucas:** I am not sure what that interjection was meant to achieve.

**The CHAIRMAN:** Order! The Treasurer should not note interjections.

*Mr Conlon interjecting:*

**The CHAIRMAN:** Order!

*Mr Conlon interjecting:*

**The CHAIRMAN:** Someone else will be turfed out if they keep that up.

**The Hon. R.I. Lucas:** In his vicious attack on me and the Government the member for Elder indicated that of course the debt was run up under the Labor Party because we were never in Government. I thank the member for Elder for his assistance. He is indeed right: it has been run up by the Labor Party.

*Mr Conlon interjecting:*

**The CHAIRMAN:** I warn the member for Elder.

**The Hon. R.I. Lucas:** The member for Elder is right. The debts were run up under the Government that the member for

Hart served as a senior adviser: one of the most senior advisers to one of the most senior Ministers and then the Premier. He has been much too humble when he says he only served the Premier in that last year. He forgot his loyal and important service in terms of the direction of the Bannon Government as a senior adviser to Minister Arnold in one of the driving rooms of the Government.

*Mr Foley interjecting:*

**The Hon. R.I. Lucas:** The member for Hart is being much too humble: he was a senior and prominent adviser on economic issues to the Bannon Government and helped guide it through its period in government. We have literally hundreds and hundreds of loans as part of our total debt portfolio. Thankfully, this example is a small one, I am told, in terms of the total quantum, but a loan was taken out for 40 years at 15 per cent. I am not saying a good part of the portfolio is at that level or length, but that is certainly much longer and higher than a range of the others. The reason why our average interest rate on the debt levels is the 9 per cent to 10 per cent that the member is referring to is because we do have significant loans taken out by the Labor Government for lengthy periods of time and at high interest rates. When you average those interest rates out, we then have to work our way through that process. Fortuitously, over about the next three years (I can get the exact figures) we have about \$3 billion or \$4 billion of debt maturing.

Of course, with the lease proceeds coming due during this timeframe, it will enable us to manage the debt portfolio pretty well. The figure might be around \$2.5 billion to \$3 billion coming due in the next two years. If we look at the next three years, it would be another quantum above that. That is a significant amount of debt rolling over the next few years. I am certainly very happy to defend the role of Treasury and SAFA officers in terms of how they are managing the debt portfolio. The member for Hart has identified the problem that we have and certainly officers are doing the best they can in terms of managing those high interest long term loans that we might have had. I can give one example where SAFA in the last 12 months managed to finish up a \$600 million loan with some Japanese investors (and I can get the exact detail on the investors or their country of origin), I think it was a Japanese investor based loan, and we were able to retire that debt without any break costs at all, even though it finished early.

Whilst that may not always be the case, obviously with some loans it has been demonstrated at least in one case and we hope in some others, that we might be able to retire some debt without either any break costs or significant break costs. Obviously, we would have to make that judgment in terms of how we use the proceeds from the leasing of our electricity businesses.

**Mr FOLEY:** I thank the Treasurer for his answer. Obviously, we are aware that some of the debt would still be from the original bail-out of the State Bank. However, the information with which we have been provided is limited. The indications are that a lot of that is rolling over and you have confirmed that it will be rolling over in the next couple of years. This is all a little academic. Some information with which we have been provided shows that there have been some recent—in the past 12 months—and new debt rolled over at substantially reduced rates of 4.5 per cent to 5 per cent. Therefore, can the Treasurer provide the Committee with a breakdown of our debt situation? Can he advise what is the current proportion of our State debt that is at market

rates or below? When will the balance of our debt be maturing and what is that current rate?

**The Hon. R.I. Lucas:** I am happy to take the question on notice and see what information we can provide. Certainly, during the course of the past 12 months we have provided some greater degree of information to interested parties about our debt profile. I understand there are some issues about which we might not be in a position to put details on the public record but certainly we can provide a greater detail of detail than exists in the documents. I am happy to undertake to do that and, within those parameters, bring back further information for the Committee.

**Mr FOLEY:** I take it that we were not one of those interested parties who had access to the information earlier. I would now like to come to the reconciliation statement that appears in the budget papers. Can you provide an itemised breakdown of measures that comprise the \$75 million of additional expenditure as a result of decisions by the Olsen Government since the tabling of the 1998-99 budget, which is clearly recurrent expenditure as the item appears in the forward estimates?

**The Hon. R.I. Lucas:** I am very happy to do so. I have seen that compilation. I think we used it when the shadow Minister for Finance raised some questions in the Upper House. I do not have it with me at the moment. I was happy to point out to the shadow Minister that a number of the areas were those that his frontbench colleagues had been calling for in terms of extra expenditure, new programs or improved services. I will be interested to see the shadow Treasurer's response.

**Mr FOLEY:** I did not think Governments responded to Opposition calls for expenditure. It shows what little faith I have in your budget management that, before the ink is dry, you are committing your Government to a further \$75 million recurrent from the budget. I do not like to be critical unnecessarily, but it would appear that often you seem to have your hands off the driving wheel of government when it comes to our finances. Maybe now that ETSA is moving on you might be able to bring the budget back under firmer control. What is the advance paid of \$243 million for the 1999-2000 sighted on page C4, appendix C, in Budget Paper No. 2. Again, you can take that on notice.

**The Hon. R.I. Lucas:** I will take it on notice. In relation to the \$75 million, it is not something that has occurred since the ink was dried in relation to the budget papers. These are decisions taken over the past 12 months or so which have ongoing costs. If, for example, we were to spend money on recruiting 100 extra police trainees, for which the member for Elder has been calling for quite some time, there would be an ongoing cost as a result of a specific Cabinet decision subsequent to the May 1998 budget.

*Mr Foley interjecting:*

**The Hon. R.I. Lucas:** I am not going to reveal the discussions that go on in Cabinet.

*Mr Foley interjecting:*

**The CHAIRMAN:** Order!

**The Hon. R.I. Lucas:** There are a number of programs in the employment area where the Government has made a conscious decision, because of the high unemployment rates in South Australia, to do more in relation to employment programs or a range of other similar programs that are targeted towards job creation. Appropriately, if the Government makes such a decision during or after a particular budget period, it accounts for it, as we have done so in these documents. It is up front and accountable. We have done it

and we have balanced the budget in a modest and reasonable way with those additional expenditures.

The corollary of the member's question is that, once a budget is taken, a Government never takes another decision until the following budget. The honourable member has never been a Minister in a Government or been Treasurer. I assure him that, although he might have this idealistic view of the way Governments are run or the way the real world operates, it does not operate that way. I will give one example that goes back to the Stephen Baker years. In the middle of the budget year, the Commonwealth Government came to our Government and said, 'We have money from the National Heritage Trust and we will put \$50 million into environmental programs to clean up the Murray if the State Government is prepared to commit \$15 million on this program.' Those figures are not the order of magnitude of the program, but it is one example that I recall.

Another one that I recall, with which you would be familiar, Mr Chairman, concerned the Home and Community Care Program (HACC). At various stages the Federal Government comes to us saying that in the social services area it will spend more money on a particular program, but the State has to increase its spending to get it. The State Government has two options. One option is to say, 'No, go away, because we have put down a budget.' In accordance with the idealistic view of the shadow Treasurer, one should never increase expenditure during a budget year because of fear of the shadow Treasurer criticising the Government in the following year. Then the Government leaves itself open to criticism from the community welfare people because they had the prospect of an extra \$30 million worth of spending on respite and Home and Community Care, because the Commonwealth was going to put in \$20 million and all the State had to do was put in \$10 million. They would say it was a terrible set of circumstances.

If it is in an area of priority and need, if the Government decides that it is a meritorious case and if it can fund it and maintain a balanced budget, it is appropriate for the Government to agree to those sorts of expenditures. Under the first Liberal Government, we did so. We entered into agreements between budget periods and we had to make sure that, in future budgets, we had the revenue items or the expenditure reductions still to produce a balanced budget at the end of the period.

**Mr FOLEY:** I felt some sympathy for the Treasurer recently when I noticed his colleague Dean Brown complaining that the Cabinet had rejected his funding requests. It is not always easy. What is the \$26 million worth of additional capital works that is mentioned in table 2.5 of the reconciliation statement? I am happy for that to be taken on notice.

**The Hon. R.I. Lucas:** I will take that on notice but if we can get an answer before the end of the Committee today we will give it to the member. If not, we will provide it at a later date.

**Mr LEWIS:** I heard the Treasurer mention the GST in the course of an answer that he gave to the member for Hart. What has he or Treasury done to prepare for the GST? More particularly, can he outline for the Committee the services and any goods which the Government provides or sells which, it is expected, will attract the GST? Are we prepared for the onslaught?

**The Hon. R.I. Lucas:** Can the honourable member further explain the second part of his question?

**Mr LEWIS:** What goods and services provided by the State Government will attract the GST, and are we ready to deal with that?

**The Hon. R.I. Lucas:** Health and education, as the member would know, will be GST free. Services or goods such as water, for example, will be GST free but electricity and public transport fares will be subject to GST. It varies. If the honourable member has any particular areas that he wants to highlight now or later on in the Committee, I am happy to undertake to provide a greater level of detail. The general principle is that our agencies and statutory authorities will be liable to GST in a substantially similar way to private sector businesses. As it applies to us, water is GST free and electricity and public transport fares are two services with which a lot of constituents are familiar and which will be subject to GST. It will not be the full extent of the GST. As it will be with businesses, there will be the question of what the increased cost might be, what the reduction in the cost might be, and there will be some sort of net effect or impact.

**Mr LEWIS:** Directly and supplementary to that, can the Treasurer provide us with a list of the goods and services that are provided by Government that will attract the tax? He may wish to take that on notice. Are the Government agencies ready?

**The Hon. R.I. Lucas:** We are happy to take the first part of that question on notice. A list has been produced in terms of providing greater detail on which goods and services will be subject to GST and which will not be, so I am happy to take that on notice. The preparation of agencies is an important question, and the Department of Treasury and Finance will take a key role in terms of trying to organise the Government response in relation to the GST. It will be an extraordinarily complicated task.

I am told that Treasury has established a project team to assist agencies to meet the administrative requirements in the lead-up to 1 July 2000. We have conducted some awareness and technical training for key staff and that will have to be stepped up over the coming 12 months. Some newsletters and guides to the GST have already been circulated, including a practical guide to GST project requirements and suggested time frames. Treasury has established a GST Government Web site to provide useful GST information and policies for all Government agencies.

We have sought expressions of interest from GST consultants to assist Government agencies to implement GST practices and we are in the process of finalising that. We have established a GST help line for agencies to provide advice to them in terms of how they handle the GST. We have conducted a number of meetings with portfolio representatives to assist them and we have established an interstate GST forum to consider common administrative issues with other States with a view to sharing information and tools where possible. So, I think the answer is that a lot of work has been done, but a lot more work has to be done, obviously.

There were two broad policy options that the Government could have adopted in relation to processing the GST. We could have tried to choose one central agency, such as Treasury, and have all the GST processed through the one agency; or each of the portfolios would be responsible. We have adopted the latter course, and I understand that all other State Governments have similarly adopted that latter model, that is, each of their portfolios will be the ones paying and having to remit GST and claiming the refunds. So, it will all be processed through the individual agencies rather than it all

coming into a central agency, such as Treasury and Finance, and then our having to process the whole lot.

**Mr LEWIS:** Does the Government have an estimate of the amount of GST that it will have to pay to the Commonwealth, and is the figure which the Treasurer and the Premier have negotiated with the Commonwealth a net figure—net of the transfer of payments made back to the Commonwealth—or a gross figure from which our payments will have to be made to the Commonwealth before we receive disbursements? In other words, how much of it is the revolving door and how much of it will be real?

**The Hon. R.I. Lucas:** I am advised that our input tax credits would be greater than the amount that we would have to remit to the ATO. Of course, over and above that, we receive all the revenue that flows through in the sort of quantum which I talked about. So, in around about 2004 or 2005 we see in the order of about \$60 million to \$70 million extra coming to the State over and above what we would have expected under the current financial arrangements.

**Mr LEWIS:** Before I ask my next question, can I say that I do not want anyone to misunderstand my belief that the GST is an absolutely essential part of taxation reform and will benefit not only the States in general but South Australia in particular, in consequence, because it is export industries upon which we will depend, and continue to depend, for our jobs growth. I thank the Treasurer for the assurance that he has given us about providing that background information, and move on from there to the rural sector.

During the time that the Government has been in office, a number of initiatives have been taken which have been of benefit to the rural community, many of which I could list but will not, because I want to ask the Treasurer what they are and whether they are under any risk of being cut out any time soon. I believe that many of those initiatives are not so much an important part of social equity, Mr Chairman, and I am sure that you agree with me that they ensure that the best people, with the experience and relevant qualifications to manage the land and the resources needed in the production cycle, are kept in place to do that from generation to generation. Can the Treasurer tell us what those initiatives are and whether or not any thought has been given to knocking them off?

**The Hon. R.I. Lucas:** One of the examples to which I am sure the honourable member is referring is the issue of stamp duty exemptions with respect to intergenerational transfers of family farms—

**Mr LEWIS:** Yes, I am.

**The Hon. R.I. Lucas:**—that we extended in recent times (in March of this year) to nieces and nephews within the family group. The exemption also extends to transfer of stock implements and chattels. Other initiatives—

*Members interjecting:*

**The Hon. R.I. Lucas:** Our Labor colleagues here are obviously not too much interested in the rural constituency.

*Members interjecting:*

**The CHAIRMAN:** Order!

**The Hon. R.I. Lucas:** The Government also introduced (I think it was some time last year) stamp duty exemptions for members of the rural sector who were forced to transfer accounts as a consequence of the closure of the financial institution in their town, and an exemption also for refinancing of rural loans. That is the range of initiatives, I suppose, to which the honourable member would have been referring in his question. The Government's commitment to those initiatives is ongoing. It is not subject to the current

Commonwealth-State financial relations debate or, indeed, any further discussion about the amount of money that might come into the State from the GST.

**Mr FOLEY:** In the wee hours of the other morning, when we debated the final stages of the ETSA lease legislation, the Treasurer (and I acknowledge that it might have been that it was late in the night or early in the morning, he was tired, and it had been a big week for him), when he referred to the Labor Party (and I must acknowledge my colleague the member for MacKillop's motion, which we seconded, to eliminate the slush fund, which was obviously an attempt to bypass the normal budget process and, indeed, to bypass proper accountability in terms of public finances, just sort of tuck \$150 million aside), made the extraordinary statement that he would now have to consider collecting more revenue if he could, or other measures, to make up this supposed need of \$150 million. Will the Treasurer now put on the public record what taxes, fee or fines he intends to increase to raise the \$150 million—or was that just because he was tired and emotional at the time?

**The Hon. R.I. Lucas:** I assure the member for Hart that I am never tired and emotional, euphemistically or otherwise. I remember very clearly what I said on that fateful morning, which will live in the memories of South Australians for decades to come. I gave no commitment to a sum of money—\$150 million. I indicated then that, should the set of circumstances arise that the Hon. Mr Crothers had publicly canvassed (and also privately canvassed, for that matter) in relation to—

*An honourable member interjecting:*

**The Hon. R.I. Lucas:** Thank you—those particular issues, I would not publicly canvass particular industries or companies or industry sectors: but that, should the set of circumstances arise where the Government (being the caring compassionate Government that it is) needed to take action to help working class South Australians, we would have to look at what we could do in those circumstances. Indeed, the member for MacKillop, in the not inconsiderable number of discussions that I had with him and his colleagues, said exactly the same thing to me: that, if these circumstances are to arise, you need to look at a set of circumstances where you raise more money or you save money or you take out more borrowings or whatever. I am not suggesting that the member for MacKillop suggested any particular alternative—he did not—but he canvassed a range of those options, as did his colleagues, and said that that was a better way to tackle it.

Given the decision of the Parliament, I indicated, 'as is appropriate'. If a particular industry sector runs into a significant problem, and we have perhaps hundreds of working class South Australians unemployed, with their families in great distress, a caring and compassionate Government as this one is would obviously need to seek to do what it could to assist industry restructure and to retrain people for other jobs, and maybe even try to encourage alternative employment in those particular industry sectors. I am surprised that the member for Hart would have some problem with that particular circumstance.

I did not and have not indicated that we would raise \$150 million. What I indicated was, if we had to, we would look at the set of circumstances and make a judgment about what sum of money, first, was needed and, secondly, was able to be made available. The Government would have a number of options. The member for Hart quickly looks to the revenue line. Let me assure him that, as Treasurer, I do not go first to the revenue line. We first go to other areas, like

expenditure reductions, if possible, or potential asset sale proceeds. We do not have any ideological problems with asset sales. If all else fails, we might have to look at one-off revenue items. At this stage, we have no plans and it would be incorrect for anyone to suggest that we were going to go down that particular path.

**Mr FOLEY:** The Treasurer's answers just go forever, but you seem to find \$34.62 million for consultant fees very easily, but the issue of assistance to industry I find peculiar. Let me make very clear that the Labor Party would agree that any compassionate, fair-minded Government would always look at assistance where it could, particularly for working class residents, which all Governments of both persuasions have done in years gone by.

*The Hon. R.I. Lucas interjecting:*

**Mr FOLEY:** I am looking at the value of industry assistance since your Government came to office. In that time it has increased from probably an average of about \$7 or \$8 million in one particular program to over \$40 million, so I can assure you that, mainly through the big spending of your Premier, you have been very keen to throw money at industry.

*The Hon. R.I. Lucas interjecting:*

**Mr FOLEY:** We have already said that industry assistance will be one area that Labor will look at very closely. We are not necessarily of the same ilk as you, Treasurer, where you seem to be throwing much money in various directions. The point of the matter was not whether one needed \$150 million, but about how one goes about structuring that. You simply do not hive off the cream from the top of an asset sale and put it in your back pocket in the lead-up to the next election, which is what you are attempting to do. I just ask: are you aware of major assistance being required for any major manufacturing facility in South Australia? You surely did not put a \$150 million fund into that Bill without having knowledge of an impending difficulty with a particular company. Is such a concern currently held within Government?

**The Hon. R.I. Lucas:** The member incorrectly asserts that I put the amendment into the Bill. The amendment was moved by the Hon. Mr Crothers.

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

#### Membership:

Mr Hamilton-Smith substituted for Mr Meier.

**Mr CONLON:** With respect to your emergency services tax, although I note that the other Minister last night was very sensitive to the use of that word—he preferred 'levy', and I am prepared to use 'levy' if you have sensitivities about it as well (and I must congratulate the Minister on how relaxed he has been throughout the proceedings this morning, in keeping with his very relaxed attitude to his job), the Minister would be well aware I would hope that two months ago a Bill was put on the Notice Paper to amend the emergency services tax to apply the levy to those people who hold land on lease from the Crown.

Apparently, some of the media attention of the prospect of the Bill's coming to Parliament made the Government nervous and it was never actually brought back to be amended. I was told last night by the Minister for Emergency Services that the modelling for the \$141.5 million forecast to be raised by the levy included the ability to raise the levy on those holders of leases. So, the Government I would suggest,

being a bit presumptuous, has factored in getting the money from the leaseholders without having changed the law to get it from them. I am told as a result of those amendments not being in place that there will be a shortfall and there will continue to be one unless the amendments are brought before Parliament and passed.

However, I was surprised that, given that this Bill was on the Notice Paper two months ago, the Minister for Emergency Service could not tell me what the shortfall would be if those Crown land leaseholders were not included in the collection pool. I am sure the Treasurer will be able to tell me what the shortfall will be. This is a matter of some moment. As I understand from the newspapers today, there will already be a shortfall in the collections through the failure of the Government's attempt to claw back money from local government. Apparently, it will not be getting any money from local government, and I understand a figure was included in the overall sum. What will the shortfall be as a result of leaseholders from the Crown not being in the collection pool?

**The Hon. R.I. Lucas:** I am not sure whether we have that particular answer. As the member will know from his questioning of the Minister for Emergency Services yesterday, the Minister would have made quite clear that the construct of the levy is the responsibility of the Minister. We have obviously been consulted along the way.

I guess I could make two comments. It may well have been—and I would need to check with the Minister—that they assumed when they did their original calculations for the \$140 million or so that the Crown leaseholders would have been included in it. Maybe they have found that since then that might not be the case unless the legislation is amended. I would need to check my understanding of that to see whether or not it is correct. I am not sure as to the extent of that. I have a figure in the back of my mind which is relatively small. I do not want to place that on the record if I can get a more accurate figure before the end of proceedings today. I am happy to put that on the record.

In relation to the second issue raised by the member, what is euphemistically known as the clawback from local government, that does not actually impact specifically on the \$140 million. It impacts on the budget potentially by \$4 million, but again I will take advice from the Minister for Emergency Services and provide a fuller reply.

**Mr CONLON:** It was budgeted to go into the fund, not into consolidated revenue.

**The Hon. R.I. Lucas:** No. I think the honourable member might need to work his way through the process a little more clearly. In ballpark terms (and again I am not the Minister responsible for the levy so I will correct the figures if I need to), under the old system local government paid \$13 million or \$15 million, or whatever it might be. Under the new system they have to pay only \$2 million or \$3 million, whatever it is. So, the difference between what they used to pay and what they now must pay under the levy is this figure of \$10 million or \$11 million, or whatever it is, that people have talked about in terms of clawback.

What goes into that figure of \$140 million is not that clawback figure; it is actually the \$2 million or \$3 million. I do not know the exact sum—whatever the local government sum is. As I understand it, the Minister's argument and the Government's argument has been, until recent times, that local government benefits because, under the new system, it is paying \$X million less than it would have had to pay under the old system, yet the Government is the body that has

introduced the levy. The question is: should local government keep those savings to itself? I am not sure that the construct of the honourable member's question is accurate.

*Mr Conlon interjecting:*

**The Hon. R.I. Lucas:** In relative terms, it would be interesting to do that calculation.

**The CHAIRMAN:** The Opposition has requested to read into *Hansard* a number of omnibus questions that will be referred to with each portfolio and Minister. I will provide the opportunity for the Treasurer to answer any of those questions that are raised now, if he so desires, or he may take them all on notice.

**The Hon. R.I. Lucas:** I noticed in this Estimates Committee yesterday that, in lieu of an opening statement, the Leader of the Opposition read a comprehensive list of questions. Today, of course, that option has not been taken up. We have had an opening statement and now we have—

**The CHAIRMAN:** The Chair was approached on this matter and I gave my concurrence to the questions being raised after lunch. The member for Reynell.

**Ms THOMPSON:** In relation to all departments and agencies for which the Treasurer has responsibility, including relevant junior Ministers, list all consultancies let during 1998-99 indicating to whom the consultancy was awarded, whether tenders or expressions of interest were called for each consultancy and, if not, why not, and the terms of reference and cost of each consultancy.

Which consultants submitted reports during 1998-99, what was the date on which each report was received by the Government and was the report made public? What was the cost for the financial year 1998-99 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?

During 1998-99 have there been any disputes with EDS concerning the 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? Which of the Minister's agencies are buying new desktop computers prior to the year 2000 and, if so, how many, at what cost and what is the manufacturer of the product and what models are being purchased? What is the hardware and software that has been replaced or identified for replacement due to achieve Y2K compliance and at what cost? Did or will these replacement purchases go to tender?

How much did agencies within the Minister's portfolio spend in contracting the services of Internet providers during 1999-2000 and which Internet providers were involved? Detail how many FTEs are employed by the agency in 1998-99 for information technology services and detail the figures for 1995-96, 1996-97 and 1997-98. What are the names and titles of all officers who have been given use of laptop computers and free home Internet access? 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 that entitle them to bonus payments and what are details of all bonuses paid in 1998-99?

What are the names and titles of staff who have been issued or who have access to Government credit cards? For what purpose was each of these cards issued and what was the expenditure on each card for 1998-99? 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 telephones for private purposes? What was the total number and cost of separation packages finalised in 1998-99?

What is the target number of staff separations in the 1999-2000 budget? How many TVSPs have been approved by the Commissioner for Public Employment in 1999-2000 and what classifications for employees have been approved for TVSPs in 1998-99? How many vehicles by classification were hired in 1998-99 and what was the cost of vehicle hire and maintenance in that year? List all employees with use of privately plated cars in 1998-99 and outline what conditions are attached to the use of the car by the employee.

Did any of the Minister's agencies rent vacant and unused office space during 1998-99 and, if so, what was the cost of rent or lease of this unused office space to the taxpayer? Are there any Government-owned premises within the Minister's portfolios that are not currently occupied? What is the cost of holding these properties and where are they located?

Will the Minister detail all executive and staff development exercises undertaken by the Minister's agencies during 1998-99? Will the Minister list all occasions during 1998-99 on which executive staff of the agencies under his portfolio entertained guests at taxpayer expense, all those present on the occasion, the purpose of the occasion and the cost to the taxpayer?

How many staff originally from within the Minister's portfolios were on the redeployment list in 1998-99? For how long have they been on redeployment and what are their classifications? How many public help lines did the Minister's agencies operate during 1998-99? Which were located in South Australia and which were operated from interstate? Will the Minister supply information about what issues each help line was intended to provide and what was the cost to the taxpayer of operating each help line—that is for all agencies?

Will the Minister detail all interstate and overseas travel undertaken during 1998-99 by members of Government boards, their destination, purpose, cost and all individuals who travelled? Will he also detail all advertising and promotional activities and campaigns undertaken by all agencies within the Minister's portfolio for 1998-99. What issues were the concerns of these activities, of what did these activities consist, how much did they cost, and what activities are planned for 1999-2000?

I ask the Minister also to detail all local, interstate and overseas conferences attended during 1998-99 by the Minister, his staff and by public servants within the Minister's portfolio, including the cost, location and purpose of the conference. Provide the names of any former member of State or Federal Parliament within the Minister's portfolio currently serving as a board member, a member of the Minister's staff, or as a public servant and detail their duties and remuneration.

Have any agencies within the Minister's portfolio rebadged or otherwise made presentational changes during 1998-99, through changes in letterhead or other stationery, signage and the like? What was the reason for the change and what was its cost?

Has there been any refurbishment of the Minister's ministerial office or any of the offices of his CEOs during 1998-99? What was the reason for the refurbishment and what was the cost?

Since the 1997 State election have any of the Minister's ministerial staff taken up permanent employment in the SA public sector? If so, will he name the individuals concerned

and indicate the vacancy for which they applied? Were these positions advertised and, if so, when and where? Name all of your ministerial staff and their classification and remuneration. Name all staff attached to junior Ministers and their classification and remuneration and advise whether they have ministerial cars with drivers, cars without drivers or access to ministerial cars or drivers and on what basis.

During 1998-99 what Government land or other real estate has been disposed of? Where were these properties located? Did the sale involve a tender process? For how much was each property sold? Who purchased the property and who acted as agent and/or legal adviser for the sale? With your indulgence, there is one line missing that I need to check. It relates to any public servants within the Treasurer's agencies who may have been appointed to Government boards or private sector boards representing the Government, the remuneration paid to these individuals for services on each board and the level of classification of these employees.

**The CHAIRMAN:** Does the Treasurer wish to answer any of these questions now or take them all on notice?

**The Hon. R.I. Lucas:** We will need some time to start answering those. I have a number of answers here, which I will give to the Committee. It will probably take me some time but, given the extensive time—

*Mr Foley interjecting:*

**The Hon. R.I. Lucas:** No, I am happy to provide them. The questions have been asked. Given the extensive questions, the Chairman has outlined a procedure that I am very happy to follow. Clearly, there are some questions that I am not in a position to provide answers to at this stage and will need to take those on notice and, where possible, bring back a reply. One of the questions was the salary level for ministerial staff in the Minister's office and the names of particular ministerial staffers within the Minister's or junior Minister's office. There is no Minister attached to my office as a Cabinet Minister, so that part of the question does not apply. In relation to the Treasurer's Office, three staff are employed as ministerial staff: Lee Eckermann, the Chief of Staff, who is employed on a total package of \$90 000; Richard Duddy, ministerial adviser, at \$62 429; and Ms Ann Lambert, my personal assistant, at \$39 726.

As to voluntary separation packages approved by Treasury and Finance during the financial year, no targeted separation packages were approved during 1998-99 within the Department of Treasury and Finance. Part of that question related to redundancy or termination payouts made during 1998-99 and again I am advised that no termination payouts were made during the year. We then move on to a series of questions in relation to cars, telephones and credit cards. I was asked for the names of all the people who have mobile telephones and car parking spaces, and I will start with officers within the department who have been allocated private plated motor vehicles. In addition to these, there are two generally allocated to the Compliance Branch of the State Taxation Office. They do not relate to an individual officer but are used by the compliance staff within the State Taxation Office, and therefore are shared amongst those staff.

Twenty-six staff have access to private plated motor vehicles and parking: A Bishop, M. Walker, B. Daniels, J. Hill, R. Schwarz, J. Northdurft, G. De Gennaro, K. Cantley, B. Lindner, P. O'Neill, J. O'Flaherty, F. McGuinness, G. Crawford, A. Negus, G. Knight, P. Duldig, K. Moore, A. Thompson, D. Posaner, D. Prior, T. Spencer, J. Ulianich, I. Morris, R. Emery, R. Harper and J. Henderson. In relation to mobile phones, I do not want to extend the committee

unnecessarily but I have been advised that we have 69 mobile phones in use within the Department of Treasury and Finance.

Some questions were asked in relation to credit cards, which is a most important issue. An important part of the Government's control program is to ensure appropriate usage of corporate credit cards within all Government agencies, not only within the Department of Treasury and Finance. One can understand the reasons why the honourable member has asked her question on behalf of the Opposition. I am advised that there are currently 38 departmental credit cards issued to officers of the Department of Treasury and Finance and that a further three cards are provided under the Department of Treasury and Finance Administered Items line for Electoral Office support and the Gaming Supervisory Authority. The department keeps an appropriate monitor and control on the expenditure on those cards. These were the questions I was able to respond to immediately, and we might be able to pull up a number of others by the end of the day.

**Mr FOLEY:** It is a novelty for us to get an answer from you.

**The Hon. R.I. Lucas:** Sensational, isn't it! I am pleased to see that the shadow Treasurer is pleased that as Treasurer and as a Minister I was able to provide instant responses to the questions being asked by the Opposition. We will take on notice a number of the other questions we cannot respond to before the end of play today and, where we can, will provide responses. I noted from the Premier's statements last night that some of these things will be impossible to provide answers to by the appropriate time. I remember, as an Opposition member, getting a number of replies from Ministers in the Bannon Government that went along the lines of, 'The time and cost involved in the public sector collecting this does not justify the information that would be provided.'

**Mr FOLEY:** You would not be that petty, would you?

**The Hon. R.I. Lucas:** I would not be petty, but it may well be that it is accurate, so we will have to take some of the questions on notice. Some of them stretch credulity a bit in terms of public accountability, but we will have a look at them.

**Mr LEWIS:** I want to ask about market reform, such as has been initiated by the Commonwealth. What I am seeking is an outline of anything the Government has done to facilitate the Commonwealth Managed Investment Act of 1998 for the South Australian scene.

**The Hon. R.I. Lucas:** I am advised that, in relation to the Commonwealth Managed Investments Act, as part of strategic commitment to industry reforms the Government introduced an exemption from stamp duty on instruments that are affected to comply with the Commonwealth Government's reform of the managed funds industry in Australia. The general exemption from stamp duty introduced on 18 March 1999 will ensure that investors in managed fund bodies do not incur additional layers of stamp duty as a result of compliance by their respective managed fund schemes with the requirements of the new regulatory regime. The new regime requires that two tier prescribed interest schemes that are to continue to operate after 1 July 1998 apply to become single tier managed investment schemes under the Managed Investments Act of the Commonwealth. By combining the independent roles of trustee and fund manager into a single responsible entity, the operations of managed funds will be streamlined and responsibility for the day-to-day operations of the managed funds rests solely with the particular body.



**Mr LEWIS:** I will leave that matter and turn to the superannuation fund, if I may, for members of Parliament in particular. The Treasurer may take on notice this question if he does not have the information at his fingertips. What will the unfunded liability be if we assume that all members who have not changed to the new scheme from the old scheme remain in the old scheme until they have had 20 years' service or more and live to the expected ages—according to whether they are male or female—to which we would expect them to live? I would hope that is an age expectation from the wider community. I am not asking him to assess the likely average age at death of retired members of Parliament, but women are pushing the octogenarian level of life expectancy and men are now pretty close behind. Therefore, I am anxious to discover that figure, and what it would otherwise be if they were all converted to the new scheme in lump sum payouts which would be the same as that which retiring members of the general public get. They get a lump sum payout and have to go and check out the market of fund managers to roll it over.

I have a reason for asking that, and I would briefly like to explain it to the Committee. I believe it is wrong for us to have one rule for ourselves and one rule for the wider community such that, whenever anyone in the wider community reaches retirement, they take their superannuation money, roll it over into whatever fund they choose in the marketplace and get what the market can deliver. However, the old scheme retains a measure of generosity to members of Parliament that is not available to other members of the wider community. If all members of Parliament had the same constraints imposed on them, there would be less nonsense in here about what industries proceed or not proceed with in order to ensure that the economy was in good heart and that it could afford to pay a good dividend to all superannuation funds in the private sector from which everybody else has to get their income when they have to rely upon superannuation. We as MP's would be less likely then to make a mess of or stuff up our economy. We would think carefully about whether or not we would have anything in which to invest and what that would be likely to return for us in our retirement if we had the same constraints imposed on us as do ordinary members of the general public.

**The Hon. R.I. Lucas:** I might have to take some aspects of that question on notice. I have been quickly advised that the parliamentary scheme is fully funded. So the earlier part of the member's question on the unfunded liability of the parliamentary scheme would not appear to apply. I will ask the appropriate officers. The member would know Mr Dean Prior and others within the department who know the scheme backwards and much better than I do. The quick advice I have had from officers who are here is that the parliamentary scheme is fully funded. I am told that that is certainly Government policy, and that is what exists.

*Mr Lewis interjecting:*

**The Hon. R.I. Lucas:** No. There is always an employer contribution. Workers or employees do not fully fund their superannuation schemes themselves. It is a combination of the worker or employee, which in this case is the member of Parliament, and the employer. As I said, the quick advice I have had is that the parliamentary scheme—as opposed to the range of other public sector schemes we have—is a fully funded scheme. I will take the honourable member's question on notice and provide a response. I alert him to the fact that some of the assumptions in his question about its being unfunded might not be accurate.

**Mr FOLEY:** Given the story is in the can today, so to speak, on mutual agreement, we might just dispense with a few of the theatrics of politics—as hard as that, no doubt, might be for the Treasurer. Is SAFA's balance sheet continuing to be rationalised as well as its subsidiary and related companies, and what is involved in this? Given that you have had this policy of balance sheet reduction for the past few years, how much further do you intend to go?

**The Hon. R.I. Lucas:** In general terms I am advised that we have gone just about as far as we can in terms of rationalising the structure whilst we await the next significant event which will obviously be the proceeds of the lease of the electricity assets which, as we discussed earlier this morning, will have a big impact in terms of what we do with those lease proceeds and the operations of SAFA. I am advised that in the past 12 months we have rationalised a number of companies and, in some of the budget papers, there is some evidence of that in terms of bringing into account various sums of money, first, to SAFA and, secondly, to the budget. As part of that rationalisation, we have reduced SAFA's capital base from about \$2.8 billion in about 1992 to \$181 million at 30 June 1998.

**Mr FOLEY:** You mentioned some payments to the budget. What is the expected operating surplus for SAFA this year and for 1999-2000? What amounts, if any, will be paid to the Consolidated Account for this year and for 1999-2000?

**The Hon. R.I. Lucas:** If I need to clarify these figures in the final answers to Estimates, I will do so. However, the advice I have been given is that the amount of money to be transferred to the budget in 1998-99 will be about \$8 million and in 1999-2000 about \$53 million. Some work is still being done on the following financial year in terms of what the transfer might be.

**Mr FOLEY:** I wish to ask some questions about SAAMC, the bad bank.

**The Hon. R.I. Lucas:** Mr Scharwz points out that on page 3.3.1 it confirms the numbers as being \$8 million and \$53 million.

**Mr FOLEY:** We both missed those in the books. As to the bad bank, you mentioned the dividend return from the bad bank which was held over into this budget. What does the amount of money that we have had transferred from SAAMC into the budget this year actually represent? It was held over in 1998-99 and paid into the forthcoming budget. Is it liquidating assets and profits? Can you be specific about what it is?

**The Hon. R.I. Lucas:** Simply, it is realisation of assets and conclusions of various litigation actions that have been taken all over the place. We have had a number of actions that have wound their way through various courts and have been settled. It is the realisation of assets and the results of various legal actions that have been undertaken. If I understood the question correctly, in relation to the lump of money we are talking about, in the 1999-2000 budget we are talking about a lump of \$200 million. The member used the figure of \$100 million earlier today.

**Mr FOLEY:** It was carried over this year to make the \$200 million. Is that not the case? You have a budget deficit this year.

**The Hon. R.I. Lucas:** I am advised that it is not \$100 million that has been slipped from 1998-99 to 1999-2000. It is closer to \$177 million, and the total sum is \$200 million. The budget previously projected ball park figures of \$24 million or \$25 million from the SAAMC dividend. What has occurred in this budget, which the

member referred to earlier this morning, is not a transfer of \$100 million but a transfer of close to \$177 million. The total contribution in 1999-2000 is \$200 619 000.

**Mr FOLEY:** What is the state of the balance sheet of the bad bank? What is left in the bad bank and when do you intend to wind up SAAMC? Has that decision been taken?

**The Hon. R.I. Lucas:** I am advised that for 1998-99 SAAMC has \$1.952 billion worth of assets and \$1.836 billion of liabilities. Net assets or the book value of the organisation are about \$266 million in June 1999. In terms of when we wind this out, our latest estimate is 2004. In terms of how we actually manage it, the staff in SAAMC are now down to three from the large number we had earlier and, by the end of the year, it is intended that there will be zero, and then Treasury will take over the tail end of this process from the year 2000 through to 2004, when we hope to have concluded it all. SAFA is already managing the Treasury operations of SAAMC at the moment and has been doing so for two years.

**Mr FOLEY:** That will do me on the bad bank. I would now like to turn to Funds SA.

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

Mr L. Owens, Chief Executive, Funds SA.

**Mr FOLEY:** Treasurer, which firms are managing the portfolio of Funds SA, given that 87 per cent of our funds are managed?

**The Hon. R.I. Lucas:** In the interests of not delaying or prolonging matters any longer than we have to, I refer the honourable member to the annual report for 1998, page 9, and the long list of funds managers, including Macquarie, J.P. Morgan, Schroeders, Rothschilds and AMP. There is a whole variety of them. If the honourable member wants to raise a particular question or issue, I will be happy to pursue it.

**Mr FOLEY:** Can you leave me the report?

**The Hon. R.I. Lucas:** I am not sure if I can do that, because it belongs to Mr Owens. I am sure he can provide you with a copy if it is not already in your possession.

**Mr FOLEY:** What has been the performance over the past financial year of Funds SA?

**The Hon. R.I. Lucas:** I am advised that Funds SA has achieved an investment return of 10.0 per cent in the 12 months to the end of April 1999. The three year and five year real returns after inflation of 12.9 per cent per annum and 7.5 per cent per annum respectively are significantly above Funds SA's long-term investment targeting of exceeding 4 per cent per annum after inflation over five year rolling periods.

**Mr FOLEY:** Has Funds SA liquidated all its major property investments that it was intending to sell over recent years?

**The Hon. R.I. Lucas:** There is one property that remains to be sold in the Adelaide CBD which is intended to be marketed for sale during 1999. Sale proceeds will be reinvested in accord with the fund strategy, and this issue was discussed last year in terms of the general strategy. It has continued with that strategy and there is just one remaining property which will be marketed some time this year.

**Mr FOLEY:** Does Funds SA still have the same exposure to equities as it did at the beginning of the financial year? Has it re-weighted its portfolio in light of market conditions or has it remained with its original formula?

**The Hon. R.I. Lucas:** I am advised that, in relation to Australian equities, the existing allocation is 34 per cent and, from 1 July, that will stay the same under the new strategy for

Funds SA. In terms of international equities, the existing allocation in the pension fund is 33 per cent and that will increase to 38 per cent, which is an increase of 5 per cent, from July this year.

I also note that from July this year we will be introducing member investment choice so that members of the Triple S scheme will be able to choose from three products and they will vary according to asset allocations. There is a conservative product, which will have a total exposure to the equities markets of 35 per cent, there is a balanced product exposure of 63 per cent, and there is a growth product exposure of 82 per cent. Members of the Triple S scheme will have the opportunity from July this year of choosing a conservative investment regime, a balanced or mid stream regime or, if they are prepared to take a bit more of a punt, a growth product with greater exposure. It will empower individual members to make their own choice about the type of investment product or strategy that they would like to see, given their own circumstances or personal judgments.

**Mr FOLEY:** I know that the scheme has not yet started but I assume some preliminary work has been done. Does the Treasurer have a feel for what the uptake of the new structure will be?

**The Hon. R.I. Lucas:** I understand that we are at the beginning of a long communications program to members because this will present individual members of the superannuation schemes with difficult choices. The default option, or the option that is available if nothing else is selected, is the balanced funds option. Of the small number of people who have been through the process and have made a decision or look like they will make a decision, almost 100 per cent have chosen the growth option, which is an interesting statement in itself. The scheme contains many thousands of members and at this stage I am talking about 100 or 200 people who have been far enough through the scheme to be in a position to make a choice. Of that small sample, virtually everybody has said that they want to go down the growth path.

It might be that those people are at a particular stage of their life and want a particular profile in terms of their investment strategy. I do not know whether that is a fair reflection of where everybody will head, and only time will tell. I hasten to say that we are not predicting that everyone will choose the growth option. I expect it will be more evenly spread than that and that the vast majority, who are happy with what they have got, are likely to choose the balanced option for sometime yet.

**Mr FOLEY:** Funds SA now manages all our superannuation funds. For some time I have been concerned about, and I may have raised it in this place, other bodies within Government that manage a pool of money, and one that comes to mind is the Public Trustee. Has any consideration been given to whether or not the funds manager of the Public Trustee, which I assume is separate from Funds SA, should be brought under the one umbrella?

**The Hon. R.I. Lucas:** This matter has been under some discussion in my 12 months as Treasurer, not in relation to the Public Trustee specifically, but whether there is an issue for the whole of Government that we should look at. Soon after I became Treasurer, I had a series of discussions with Treasury and Funds SA. Without referring specifically to Public Trustee, I can advise that a proposition has been contemplated by the Government but it has not gone through all its processes. If it gets through all those processes, Parliament might have to consider some legislative change.

I cannot prejudge the processes that the Government has to go through. We have not yet concluded them, but this issue has been under discussion for about 12 months and I hope that we will have some Government resolution of this in the next few weeks. That is probably all that I can put on the public record at this stage, other than to say that if the Government proceeds down a particular path we will brief the shadow Treasurer and other interested parties accordingly.

**Mr FOLEY:** I am pleased that the Government is looking at that. Without wanting to pre-empt the Government's outcome—or, indeed, my final position—I would have thought that it is something that one should be reviewing. I assume from that that WorkCover would be an example, would it not—and MAC, for that matter?

**The Hon. R.I. Lucas:** As I hastened to say in response to the first question, I did not want to make in my response any indication that we were contemplating Public Trustee or any particular fund: certainly, I could only comment generally. This whole-of-government question is important, and there are a number of bodies. At this stage, I would prefer not to publicly list them, because the Government has a process that it has to go through. However, obviously, the member would be aware of various bodies and agencies—he has mentioned some, but there are others. The Government is contemplating various options. In some cases, the argument might be that it might not be appropriate for Funds SA to be a manager of those because of a different profile or nature of the particular organisation's lump of funds, if I can put it that way: in others, the case might be stronger. It really is a process that Cabinet and the Government has to work its way through. I would prefer at this stage not to indicate what we are looking at but, clearly, if we are contemplating this general area, we have to look at all those funds that are available and then make judgments as to which might be appropriate and which might not be, if the Government makes the threshold decision to extend the ambit of Funds SA in some way.

**Mr LEWIS:** My question relates to the matter of the land around ASER, where Funds SA has an obvious interest. I am apprehensive about the title. If ASER is to be sold, would the Treasurer be willing to give the Committee an assurance that he would not sell the land immediately adjacent to Parliament House, which might otherwise prevent further appropriate expansion of the facilities of Parliament on that land, if it ever decides that it needs to use such land for that purpose?

**The Hon. R.I. Lucas:** I am advised that the land is owned by TransAdelaide. In terms of Funds SA's contemplation of disposal of assets, such as the Casino, Riverside and the Hyatt, it cannot sell the land. So, a long-term lease of the assets that are involved would be contemplated. I think that that probably satisfactorily answers the member's question.

**Mr FOLEY:** Continuing the theme of what we were talking about before (and I appreciate the sensitivities and the obvious policy considerations, and I know that I could probably go to the annual reports, but I do not have ready access to some of those), can the Treasurer provide details of the relative performance—obviously, I know about Funds SA, as the Treasurer has given us those details—of the other agencies within Government that are managing a portfolio, that is, WorkCover, MAC and the Public Trustee, just for the sake of comparison?

**The Hon. R.I. Lucas:** Obviously, I do not have that information with me, but I am happy to take it up with the appropriate Ministers and see what is available from either their officers or public reports that the various agencies might

have. I will put together whatever I can within those constructs.

**Mr LEWIS:** With respect to the matter of the Motor Accident Commission, there are two broad categories of information both closely related about which I seek information, those being the major claims—to try to discover how many there are—and what reserves are set aside for them. What is the definition of a major claim? If it is that a claim has a potential to exceed a certain sum, what is that sum? How many claims at this stage would be classified as major claims, and what reserves are set aside to meet those claims?

**The Hon. R.I. Lucas:** Geoff Vogt from the Motor Accident Commission has joined us at the front table. While we are looking at some information that might be available for the member, can the member clarify his question? I am advised by Mr Vogt that there is no sort of classification of major and minor claim within the MAC's books. Is the member referring to documents or correspondence? Can he give us a hint as to why he is looking for this definition of a major claim?

**Mr LEWIS:** I do not know—maybe people think I am some kind of an advocate for the downtrodden of one category or another and they come to me with a whole lot of hard cases. I have been given the impression that there is—

**An honourable member:** It takes one to know one.

**The CHAIRMAN:** Order!

**Mr LEWIS:** I thank the member for Gordon for acknowledging the fact that he is a hard case.

*An honourable member interjecting:*

**The CHAIRMAN:** Order!

**Mr LEWIS:** At least no more or less than I am. What I have deduced is that there is some move on foot now to identify these outstanding claims—and especially those that are being referred to as major claims—and clean them up one way or another. That is the reason for my asking the question. I suppose that that is what the people who have been injured and who are inquiring have told me in the course of their correspondence and/or conversations with me. That is all I can do to help the Treasurer and the officers at the table from the Motor Accident Commission.

**The Hon. R.I. Lucas:** I am not sure whether this helps, but Mr Vogt has indicated that, in terms of trying to settle outstanding claims in recent discussions with MAC and SGIC, SGIC has been asked to see whether it can try to settle some of these longstanding, outstanding claims. Mr Vogt advises that it is probably likely that, in working its way through that list, it obviously has started the more significant ones, either in terms of the quantum or in terms of the length, I suppose, of a claim having been outstanding in terms of settlement, and perhaps working its way through that list. There is no cut off point where it is stated that above a certain quantum it is a major claim and this strategy applies to that. It is really just a general discussion where it states that, if one has a claim that has been out there for a considerable length of time, it will see what can be done to try to settle the claim, rather than having it hang around, as the member would appreciate, sometimes for years on end before the issues are finally resolved.

**Mr LEWIS:** I thank the Treasurer for that answer. I suppose that that is about the gist of it, then. The Motor Accident Commission has told the SGIC, as its agent, to settle those claims, if it can, this financial year—is that the idea? If so, is there a reason for that?

**The Hon. R.I. Lucas:** No, it is not correct to say this financial year. Basically, it has just said that, if it has

longstanding, outstanding claims it will see whether they can be settled as soon as possible. It just makes good commercial sense, and we think that it is also in the interests of the individuals concerned that we do not unnecessarily drag these things out, so that there is some final resolution of the particular claim. So, I am told that it is not true to say that there is a cut off date of 30 June and it must be concluded. It has just been asked, as part of a strategy—good commercial practice—to try to resolve as many of the claims as it can as soon as it can within, obviously, reasonable bounds of how one handles these issues.

**Mr LEWIS:** To conclude then, and by way of explanation to the Committee and the Treasurer, what I am really doing is pointing to this phenomena that citizens sincerely believe that Government and its agencies are there to help them and see that they get a fair deal, when in fact the Motor Accident Commission and SGIC, and other people associated with them, as well as case managers for WorkCover, and so on, take the opposite view. They are very much into adversarial advocacy, and if there is a claimant they do not give a damn about the citizen; their job is to settle it for the least possible amount. Each person involved in the process sees their career advancement prospects enhanced if they can settle 100 claims for less than anyone else.

It has given rise to the widespread belief that the Government is equally mean-spirited, small-minded, and indifferent to the plight of the individual, and when we as members of Parliament stand up in here and advocate the change to legislation, which is supposed to provide fair and reasonable compensation and support for people who suffer injury of one kind or another in circumstances outside their control, (that is, for which they were not responsible, either wholly or partly), the public, in consequence, get the impression that they can rely on that, only to discover that the contrary is the case. They can only rely on it to the extent that they are able to negotiate with the people who are settling the matters with them.

It is a very bad public relations exercise for members of Parliament overall, and the institution of Parliament comes into bad odour as a consequence of that approach. I want to put on record this afternoon my concern about the way that practice has developed right across the board, where, instead of now having public servants, or those in some way or other answerable to the Public Service involved, we have outsourced the work and you will get more work in the outsourcing process if you can settle more claims for less cost overall, it seems to me.

Having made that background explanation, may I then ask of the Treasurer what the financial position of the Compulsory Third Party Fund is with respect to the outstanding claims as at the end of June 1998, 30 September 1998, 31 December 1998 and 31 March this year, and the Treasurer may wish to take that on notice.

**The Hon. R.I. Lucas:** In relation to the last part of the honourable member's question, the amount for outstanding claims as at 30 June 1998 is, roughly, \$203 million. That is for outstanding claims, current liabilities. Outstanding claims, non-current liabilities, as at the same date were \$579 million, approximately. Is the member happy with the June figure rather than the December figure?

**Mr LEWIS:** That will be fine for now.

**The Hon. R.I. Lucas:** In relation to the honourable member's statement which prefaced his ultimate question, can I say, and I am sure he would agree, that the Government

and the Treasurer would not want to be seen to be mean-spirited, small-minded or indifferent. So obviously I would share his concern if there are people in his electorate who have that view of the Government in any way. In relation to the general strategy of the Motor Accident Commission, this Parliament sets the parameters, the rules, and we had a debate about this last year. Once those rules are established, MAC and SGIC working to MAC have to work within those broad parameters. We believe that there is a balance there of a reasonable interpretation of what the law says, in trying to settle the claims as early as possible, without, of course, being open to people who might want to manipulate our system and get unfair levels of compensation—which I am sure the member would not be supporting, either.

It is a difficult balance, because if people do get unfair levels of compensation, which were not contemplated by the Act and the legislation, then the premiums for the honourable member's constituents, and everybody else in South Australia, go up. When we are talking about fairness and equity we are talking about fairness and equity for those who are having to have their individual injuries and concerns treated fairly and reasonably, but we are also talking about the level of premiums that the member's constituents and others are having to pay.

The only other point is that—and if it is anything different from this I will be very surprised, but I will at least cautiously phrase my response that way—I would be very surprised if the promotion prospects of claims control officers in SGIC are linked in the way some of your constituents have suggested, that is, their capacity to screw down the overall costs in some way or in some unreasonable fashion. But I will take advice on that and if it is anything different from that obviously I will provide a further response.

**Mr LEWIS:** Can I disabuse the Treasurer: it is not only the impression that my constituents have but, more importantly, what I hear discussed amongst people in the industry as to ask how much they succeeded in reducing claims, and I point out to the Treasurer along the way that the policy is: to hell with the expense on the law; if it is going to cost \$50 000 or \$100 000 to go to court and fight it and appeal, and so on, it does not matter. It seems to me that the policy, as I have come to experience, is that for a claim of \$20 000 or \$25 000 someone somewhere authorises legal expenditure that exceeds that by more than double, some \$50 000, \$60 000 or \$70 000 to go through litigation, because they are not paying. The officers that authorise, finally, whether to settle or not for their meagre payout figure are willing to spend a heap more in litigation just to prove their point in what is a bloody-minded exercise in cynically brow-beating the injured people, rather than saying, 'Well, let's settle it rather than go through this expensive drawn-out court process.' I think somehow or other we have to re-examine the manner in which we balance that, hence my reason for asking for those figures and assurances from the Treasurer.

**The Hon. R.I. Lucas:** I can provide further information for the honourable member and for the Committee which will place some of the anecdotal information that the honourable member shared with us in some perspective. Certainly, MAC would reject the notion as it relates to South Australia at least—and I know that the honourable member did not directly point the finger at MAC. But the legal costs as a percentage of total payments in South Australia with MAC and SGIC and the system we have is 11 per cent of the total payments. The comparative figure in New South Wales is some 23 per cent. It is actually twice the level in terms of

legal costs, stringing out the cases, or whatever else it is. There has been a most conscious effort from management at MAC and the board to do quite the reverse of what the honourable member has raised, within reason.

There may be cases that you have to fight because they may well establish important matters of principle, if the courts interpret a particular provision in a certain way which will mean significantly increased costs for the scheme and then for motorists. But bearing that in mind, in keeping the total legal costs as a percentage of the total payments down to 11 per cent, when it is 23 per cent in New South Wales and, I think, 15 per cent in Queensland, which considers that it has a very good scheme in terms of its legal costs, South Australia, as I understand, is the lowest or one of the lowest of all of the sorts of schemes that are being run in Australia. To be fair, the MAC would reject that it and the people it employs are adopting the sort of approach about which the honourable member has expressed concern in terms of just saying, 'Hang the costs, let us spend \$100 000 and we will drag it out.' That has certainly not been the general approach of the MAC.

**Mr FOLEY:** Given the four-fold increase in stamp duty on compulsory third party insurance in the last budget from \$15 to \$60, does the Treasurer expect the increase to yield the extra \$31 million in revenue this year and the anticipated \$38 million in 1999-2000?

**The Hon. R.I. Lucas:** If I can provide some more detailed information before the conclusion of today's proceedings, I will do so, but the quick response I have from my officers is that, broadly, that appears to have been the case; it might even be slightly higher. One problem is that, in terms of this revenue line, there might be more activity—more registrations, for example. If you have slightly more than would have been received from the straight-out stamp duty increase and you have more registrations, you have more in that line in terms of an aggregate figure at the end. However, that might be due to two reasons: the first reason might be a budget increase and the other might be more registrations, which is obviously unrelated to a budget decision.

On the information before us it is a little hard to pull out what the differences might be. We think that, clearly, the overwhelming majority of the increase will be due to the budget decision rather than any huge jump in registrations. If we can find any more detailed response we will provide it, but the initial response, in answer to the honourable member's question is, yes, we have achieved that level and it might even be slightly higher. But how much of that 'slightly higher' is due to the budget decision and how much is due to extra registrations might need to be taken on notice to see whether we can give the honourable member any better or more detailed information in a written response.

**Mr FOLEY:** Treasurer, where are we at in terms of the privatisation of the Motor Accident Commission? Is that still a policy decision on hold for Government, is Government still actively looking at it or has it been shelved? What is the position?

**The Hon. R.I. Lucas:** The Government has not made a decision. I am not sure how one categorises it—whether it is on hold or whether a decision has not yet been taken. The Government and I, as Treasurer and responsible Minister, have received a scoping study report and the Government, I think, speaking frankly, has had a variety of other issues to which it has applied its mind in the asset disposal area in the past six to 12 months. Now that the issue of electricity assets

has moved into the next stage, the Government will need to consider that scoping report and also its decision in relation to whether or not it wants to see any changes and whether it believes the status quo should remain.

**Mr FOLEY:** In terms of a time line, are we talking months or a year?

**The Hon. R.I. Lucas:** I am cautious about time lines. I did advise some interested persons within MAC that we might seek to resolve the issue one way or another around March this year but, for a variety of other reasons, some of which I have placed on the record today, that has not been possible. I would not want to put a time line on it. The answer in broad terms is that now that we have moved into the next stage of electricity I would hope that within the next few months we could, one way or another, bring this issue to a head in terms of a final decision from the Government.

To be fair to the board and to the MAC staff involved, the Government needs to resolve its views in relation to MAC so that, if it is to continue broadly under its current direction, it can get on with that task or, if changes are to be made, again it can get on with the process of change.

**Mr FOLEY:** One issue that has intrigued me over many years has been SGIC's original investment with Healthscope, the management of which I now understand has been given over to the MAC. I am not sure whether Healthscope was a deal done in the dying days of Labor or in the early days of this Government, so, Treasurer, feel free to give me a kick if it occurred in the time of the Labor Government. I do not think it was but it might have been. I am particularly interested in the Modbury Hospital contract. I have always thought there was the potential for conflict of interest for Government and how it negotiated the Modbury Hospital contract in terms of SGIC's shareholding in it. We have seen the share price drop from \$1.60 to 40¢. What is the intention of the MAC in terms of Healthscope's holding? Are we holding on to it? What are we doing with it, given that we are such a major shareholder in the company?

**The Hon. R.I. Lucas:** I may be wrong here but my advice is that the old SGIC, I presume back during the 1980s, went into private hospitals, so the honourable member can accept responsibility for that. Then, in 1994, soon after Stephen Baker became Treasurer (I guess in terms of preparation for what was ultimately the sale of SGIC, at least in part), the Government got SGIC out of the direct operation of hospitals and, as part of that process, SGIC sold the hospitals to Healthscope. As part of the deal, evidently, they or we were required to take an equity shareholding in Healthscope. That is where the continued interest in Healthscope started.

The first connection of SGIC, then MAC, with hospitals came about in the 1980s, and the general view of the Government now is that the MAC ought not to be involved in running hospitals and the SGIC should not have been involved in running hospitals. In terms of this investment, all I am told I should place on the public record at this stage—and I am sure the honourable member will understand the reasons why—is that this together with other investments is kept under review by MAC. I really cannot say much more than that. Obviously, it will keep it under review and make an appropriate decision at an appropriate time.

**Mr FOLEY:** I actually take the Treasurer's point that it is best that I ask no more questions on that. I probably should not have asked that one.

### Membership:

Ms Bedford substituted for Mr Conlon.

**Mr FOLEY:** Notwithstanding the questions asked by the members for Hammond and MacKillop earlier today, I am interested as to where we are with Commonwealth-State negotiations over the GST compensation package. Obviously, the Treasurer had an agreement with the Federal Treasurer and the Prime Minister when it was a total GST package. That has now changed. A number of comments have been made, and the Treasurer may well have answered this earlier and I was not paying sufficient attention. If so, I will be happy to read the *Hansard* tomorrow, unless the Treasurer could just let me know where we are with the negotiations?

**The Hon. R.I. Lucas:** We did have a discussion this morning, which I am happy quickly to recapitulate for the honourable member. The obvious implications of the Commonwealth Government-Australian Democrat deal on food, which is still being resolved as we speak, have meant that we need to go into a pretty intensive period of discussion as to the implications for the States. The end result is that we believe there is a pretty strong chance that all the States will sign an amended intergovernmental agreement. As to its shape and nature, I will refer the honourable member to the answers I gave earlier about the implications in terms of the quantum of money, which is broadly \$60 million to \$70 million from about 2004-05 onwards in South Australia.

In relation to other aspects of the negotiations, heads of Treasury and other senior officers have been consulting with the Commonwealth Treasury as to what the implications might be. Probably in the written response I can bring back more detail. As the honourable member would be aware, some of the State taxes that were to be abolished will now be retained by the States and Territories for an indefinite period. So, FID, bank debits, stamp duty on share transactions (that is, stamp duty only on listed shares) and accommodation tax (which does not relate to us but only to New South Wales and the Northern Territory) are the four that will disappear.

The remaining stamp duties that were to be abolished have now been deferred indefinitely. I think that the Commonwealth Government's view probably is that it would like to see some sort of commitment at some stage in the future for them to be removed. Our view, although I do not profess to speak on behalf of the other State and Territory Governments, is that we would like to see farther down the track what sort of revenue flows in to the State of South Australia from the GST before we are prepared to talk seriously about potential dates for the abolition of any further stamp duty bases. At this stage we are not committing to a definite date for removal of those other stamp duties.

**Mr FOLEY:** I have been advised that, on behalf of the Australian Democrats, Senator Meg Lees has done a deal with the Commonwealth Government that commits the State Government to rebate the wine equalisation tax (commonly known as the WET tax) for the first \$300 000 of cellar door or mail order sales. Is this true? I have also been advised that the Treasurer has agreed to this with Canberra; is that so?

**The Hon. R.I. Lucas:** The second question is easy to answer: no, it is not true. We have not been consulted on whatever might or might not be part of the Commonwealth Government/Australian Democrat arrangement in relation to cellar door sales. Today, we have been hurriedly trying to get further information. However, we have not been consulted and, until we can see the exact nature of whatever this

proposal is, we will have to reserve our position. I would imagine that it would require some State agreement if it is as described. I hasten to say all I have seen is what the honourable member has probably seen which is what was in the newspaper. We have not been consulted, so at this stage we cannot agree to anything. Over the next 24 hours we will do what we have been doing today, namely, urgently trying to get some detail on the proposal and the implications that might have on South Australia.

**Mr FOLEY:** I have missed it in the paper, I might add. My Federal colleagues in Canberra rang me a short while ago to say that, according to Labor members in Canberra, the deal is that the State Governments will rebate the WET tax to the tune of \$300 000. I appreciate, as you say, the question whether they have the power to enforce that upon us—although I suspect they probably do, one way or another. If this is the case, what modelling has Treasury done, if any, as to the likely cost impact to our State of this?

**The Hon. R.I. Lucas:** It is a bit early for us to do that. This morning I read—either in the *Advertiser* or the *Australian*; I cannot remember which—the reference to this claimed deal. I have not seen the detail of it. Obviously, when we get the detail we will do some modelling or whatever work we have to see what the implications for us might be. Clearly, we would need to see whether there are increased costs for the State Government in this and what the level and quantum might be; then we will be able to make our judgments accordingly.

**Mr FOLEY:** You are saying that the State Government has not agreed and signed off on any deal at all?

**The Hon. R.I. Lucas:** We are not aware of the deal. We have not been consulted. We are not aware of it, other than obviously what we have seen in the newspapers or what has been reported. Today Treasury officers have been in touch to try to get some further detail, but I have not yet had a chance to be fully apprised of those discussions. Until we see something and some proposals on what its implications are for the State Government, we are not in a position to agree to anything yet.

**Mr FOLEY:** If it is of any assistance, I am prepared to talk to my Labor colleagues in the Senate to ask them to act in the interests of the State. I am sure the Treasurer could talk to his Senators and ask them to do the same.

**The Hon. R.I. Lucas:** I am always happy to talk to my Federal Senators. I am pleased to hear that he can talk to his as well.

### Additional Departmental Adviser:

Mr B. Prior, Liquor and Gaming Commissioner.

**Mr HAMILTON-SMITH:** What action has been taken to control the availability of gaming machine style arcade games in public venues, some of which include shopping centres and amusement arcades?

**The Hon. R.I. Lucas:** I understand that the Government has made a public statement on one machine called Solottol. The advice the Government had received was that it was a gaming machine. Therefore, as a result of its being a gaming machine, it was not able to be used in arcades or whatever else. There are strict requirements under the Gaming Machines Act as to where gaming machines can be placed. I have now been advised by Mr Prior that there is evidently a second similar machine—the name of which escapes me and the Commissioner—and the advice the Commissioner had and the decision made was that that, too, was a gaming

machine. He just advised me that both of those machines have now been removed from the various places—arcades or whatever else they happen to be—and are not in operation in South Australia. There has been a public announcement about Solottol, but similar action has been taken on a second machine, and they are now not being used by arcade proprietors or others in South Australia.

The Commissioner's advice is that, under the gaming machines legislation, there is a clear definition of what is a gaming machine and, if these arcade type machines meet those definitions, then the Act applies. It would only be if it was not clear as to whether or not it was or was not a gaming machine that we might get into a grey area with the law. I am advised that, in relation to these two, the action has been taken and they no longer operate in those arcades.

**Mr FOLEY:** With regard to Budget Paper 2, table 6.13 and the fact that gaming machine revenue is expected to reach \$201.5 million next year, what are the figures estimated—where possible, obviously—for gaming machine revenue for 2001-2 and 2002-3 in the forward estimate period?

**The Hon. R.I. Lucas:** If I can provide more detailed information on notice, I will. A quick estimate at this stage would appear to be potential growth of 2 per cent to 3 per cent. It is relatively small growth in terms of the outlays for each of the out years. As the member will know from his discussions with interested parties in the industry, there is a bit of a view that the growth we have seen since the introduction has clearly plateaued and we are not likely to see the significant increases in the forward estimates period that we saw over the last four or five years. The ball park figures are about 2 per cent or 3 per cent growth—very modest growth. I am told that it is potentially in line with household disposable income and other measures such as that.

*An honourable member interjecting:*

**Mr FOLEY:** That might not be the analogy you would want to use too often. Some of our colleagues who are not of the same view about pokies as I am have picked up on that. A number of hoteliers have spoken to me about the GST impact on poker machines. I believe the original understanding was that there would be a formula to ensure that it was neutral in terms of gaming taxation but, whether it is part of this mix or whatever, has there been some revisiting of the issue of the GST as it applies to gaming? Can you explain what the arrangements will be in terms of that tax?

**The Hon. R.I. Lucas:** I am advised that we are still working through the impact on gambling providers in relation to concerning what the introduction of the GST will be and will mean. I am not sure that I can provide much more detail at this stage, but it may be that within the next two weeks during the time frame in which we can provide detailed responses to the Committee we can provide some greater level of detail. A lot of work is obviously going on at the moment with the Commonwealth Government and more particularly with the industry and other States. Mr Schwarz advises me that the initial calculations suggest that our State gambling proceeds might reduce by the order of some \$60 million as a result of the introduction, but that is picked up by the guarantees that the Commonwealth provides to us in terms of our being no worse off. We then have the GST revenue that comes through and increases our total quantum of Commonwealth funds by the order of \$60 million or \$70 million in the year 2004-05 that we talked about earlier.

In relation to the impact on the gaming/gambling provider (because it is not just gaming machines; it is gambling), the precise detail is still being worked through. A lot of work has

gone on in the industry and the other States. That was the point I was going to make. Whilst there is not a strict requirement that we treat it in exactly the same way in each of the States, there is clearly an argument which says that, if there is a degree of consistency if you are a gaming machine proprietor in a number of States, the treatment might be the same in all the States, but obviously it would make it a bit easier for someone who might operate in a number of States.

So, whilst it is not a requirement, we are interested in what the other States are doing. A number of other States are not very far down the track yet, and we are trying to work with them and with the industry. As I said, as soon as we are in a position to make some public comment, we will do so.

**Mr FOLEY:** Before handing over to my colleague, I would like to ask the Treasurer about issues relating to the Lotteries Commission.

**The Hon. R.I. Lucas:** It depends on what you are asking. The Lotteries Commission answers to the Minister for Government Enterprises.

**Mr FOLEY:** I am talking to you in your capacity as the Minister responsible for proposed asset sales. Are you able to comment on where we are at in discussions about the Lotteries Commission? There have been discussions about the TAB and Lotteries merging and throwing in the Casino in a package deal, and that sort of thing. Where are we with that process?

**The Hon. R.I. Lucas:** The member for Hart can ask but it is not appropriate that I respond. The Minister for Government Enterprises has ministerial responsibility not only for the operations of the Lotteries Commission and the TAB but also for oversight of whether or not the Government will make a decision to sell the Lotteries Commission or the TAB and, if it does make that decision, in what form. I understand from recent publicity that that is the sort of area in which the member is obviously interested in terms of some of the press speculation. I am aware of the broad nature of some of the options available to the Government. I am a member of the Cabinet leadership group and the Asset Sales Committee of Cabinet, but ministerial responsibility for this rests with Minister Armitage. It is more appropriate that the member direct his question to Minister Armitage on this issue.

**Mr FOLEY:** Perhaps I need to appeal to the Premier. I should have hoped that the Treasurer would be overseeing all asset sales within Government. It causes me concern to think that you are not handling this, not because I think you personally are a better Minister than Minister Armitage but I would have thought that Treasury should be the agency that is handling these assets, particularly given that the Lotteries Commission is such an important provider of cash to our State. I appeal to the Government to allow the Treasurer to be involved in this because, for all your faults, I think you are a better Minister to handle asset sales than an agency Minister.

*Members interjecting:*

**Mr FOLEY:** I am praising him. I think the Treasurer should be handling asset sales and that it should not be left to an agency Minister. I will put that appeal to the Premier at a later time.

**Ms BEDFORD:** My question follows on from the member for Hart's original question. As to the increase in revenue (he gave three years and I was only going to ask about 1999-2000, but we might as well talk about all three), is it based on the increasing number of poker machines, a larger number of venues or increased takings per machine, or a combination of all three, and what is the mix between them?

**The Hon. R.I. Lucas:** I am advised by the Commissioner that the expectation for next year in terms of the total number of machines is unlikely to be significantly different from 1998-99. That is, as I indicated to the member for Hart, the total number of machines appears to have reached a plateau and the Commissioner does not believe that we will see a significant increase in the number of machines. Whilst there will be a small growth and there will probably be a mix of the two or three variables that the member mentioned, in terms of net gaming revenue per machine, the position is likely to be consistent with my answer to the earlier question, that is, that the increased disposable income available to families might be put through these machines or in some other recreational pursuit rather than there being a significant increase in the number of machines or the number of new venues.

**Ms BEDFORD:** Does the Government plan to allocate any poker machine revenue to the Gamblers Rehabilitation Fund? How much money has been allocated for community education and advertising on the impact of gaming machines?

**The Hon. R.I. Lucas:** I will have to take that on notice because that expenditure—how much money has been allocated and how much money will be allocated next year—is incurred by the Minister for Human Services. I am happy to take that on notice and consult with my ministerial colleague and provide a response to the member.

**Ms BEDFORD:** Is the Minister for Human Services responsible for the Gamblers Rehabilitation Fund?

**The Hon. R.I. Lucas:** The Gamblers Rehabilitation Fund is controlled by a committee and that committee reports to the Minister for Human Services, Minister Brown. That portfolio provides oversight, although it is not strictly a departmental function, because a committee oversees how that money is spent. That money currently comes from the industry.

**Ms BEDFORD:** What current resources are available and what is the cost of those resources to enforce the Gaming Machines Act? How many complaints were received in the last 12 months with respect to breaches of the Gaming Machines Act and how many of those complaints proceeded to prosecution?

**The Hon. R.I. Lucas:** The full resources of the Police Department are directed to that end. The prosecution wing and the investigation wing of the Police Department are used for prosecutions under the Act. The Liquor and Gaming Commissioner has investigating officers but, if something is to proceed to prosecution, the police independently investigate such cases and make a decision as to whether to proceed with a prosecution through the courts. Although we will double-check these figures, the Commissioner has advised me that he can recall four examples in the current financial year, 1998-99. The police investigated one and decided not to proceed with it. They took two others to court but were unsuccessful with them. They are still investigating a fourth case.

**Ms BEDFORD:** In light of the information received yesterday from the Police Commissioner, it seems that little in the way of additional resources, apart from the commission's own officers, is provided.

**The Hon. R.I. Lucas:** No, to the contrary, I am advised that the full capacity of SA Police can be applied, and that is considerable as the honourable member knows. If required, full police capacity can be applied to a particular investigation or complaint, if that is appropriate. It is not appropriate for me to comment on operational issues of the police but, if the honourable member has some concerns about the way the

police are investigating or prosecuting, I am sure that the Minister for Police would be happy to listen to her.

**Ms BEDFORD:** I have no concerns, but if there is no manpower or woman power, not much can be investigated. In relation to the offence of lending or extension of credit under section 52 of the Gaming Machines Act, how many complaints have been received in the last 12 months, how much money has been allocated for a public education campaign in relation to that offence, and does the Minister consider that a credit card cash advance from a venue for the purposes of gaming constitutes an offence under section 52?

**The Hon. R.I. Lucas:** What does the honourable member mean by 'credit card'?

**Ms BEDFORD:** I am referring to a person on licensed premises who gets a cash advance on their credit card and then uses it for gaming.

**The Hon. R.I. Lucas:** Is the member referring to anywhere within a licensed premise, not just the gaming area?

**Ms BEDFORD:** I am talking about a person who walks to the bottle shop, which is usually the place with EFTPOS.

**The Hon. R.I. Lucas:** If a person is in the restaurant section of a licensed hotel, and that person gets cash—

**Ms BEDFORD:** If they are walking from the gaming room to that point and then back.

**The Hon. R.I. Lucas:** I want to clarify the question. If they are in the restaurant, they have paid their bill and get cash out in some way, does the member's question relate to that set of circumstances?

**Ms BEDFORD:** It could be, but my scenario is if they are at the machine, walk out and then come straight back with the cash. Is that an offence?

**The Hon. R.I. Lucas:** The Commissioner has advised me that, under the current legislation, it is not an offence to access one's credit through one's financial institution in a licensed premise. So, in the case that the honourable member is talking about in a restaurant section of a hotel, or whatever else it is, under the current legislation it is not an offence to access one's credit.

**Ms BEDFORD:** The first part of that question was: how many complaints have been received in the last 12 months under section 52, and how much money has been allocated for public education in relation to that offence?

**The Hon. R.I. Lucas:** I am advised by the Commissioner (again, relying on the Commissioner's formidable memory) that he thinks that there have been two complaints in the last year. One was considered by the police prosecutions section, and they decided not to proceed with it, and the second one is still being investigated.

In relation to whether there is a particular sum of money that has been provided for a specific education campaign with respect to this issue, the answer is that, to our knowledge, there is no specific campaign. It is clearly part of the legislation: operators and proprietors are aware of its operation. If there is a particular complaint and a successful prosecution—if, I say—obviously, many more of them will become aware of it.

**Ms BEDFORD:** Does the Government accept the position of the poker machine industry and the AHA, in particular, that there is a problem gambling rate in the order of 2 per cent with respect to poker machine players?

**The Hon. R.I. Lucas:** In relation to this issue, it is not for the Government to say whether it accepts that particular estimate or not. The member will know of the different views of gambling within her own Party (and I suppose her views and the views of the shadow Treasurer are a pretty good



example of the diversity of views on gaming and gambling within the Labor Party), and I can assure the member that it is exactly the same within the Liberal Party. There are members who share the views of the member for Florey about the evils of gaming machines and gambling; there are others who share my view, who voted for gaming machines and who would happily support gaming machines again if the legislation was introduced for the first time today. So, we are a broad church within the Liberal Party, and so is the Labor Party, on this issue. There is not a Government position in relation to gaming or gambling that states that we agree with the industry's view on this or that or anything else.

Speaking personally rather than on behalf of the Government, I have seen a variety of different views, or estimates, in relation to problem gamblers. As with any issue, it depends on how one defines problem gamblers. The member's view and my view of what constitutes a problem gambler might be comprehensively different. The member might have a view that anyone who gambles once a week is a problem gambler—and, indeed, there are many others in the community who take a view that, if anyone is gambling on a weekly basis, they are a problem gambler. Others have much more reasonable, or conservative, views in relation to the definition.

If the honourable member wants to explore the issue of what are problem gamblers and what is the percentage in the community, I think that she (and then through a debate in this place) needs to define exactly what she says constitutes a problem gambler. Then we can look to see whether research has been conducted by anyone that defines it. In the end, whether it is 1 per cent or 2 per cent, or whatever else it is, I think everyone acknowledges that it is a small percentage. Nevertheless, given that the numbers exist, it is important that the Government seeks to do what it can to assist anyone who might be a problem gambler, whatever one's particular definition happens to be. I think that that is the more sensible way to approach it, rather than arguing the toss about whether it is 1 per cent or 2 per cent. I have seen some estimates from some of the extremist views in the anti-gambling community—well known to all of us—that it is 10 per cent, or something like that. Those people must have a very wide definition of what a problem gambler is.

**Ms BEDFORD:** My definition of problem gambling is not really the problem: I see it as more of a consumer issue. Given all that, will the Government undertake some sort of independent research to establish the figure, or does the Treasurer just not think it is important at all to establish that figure?

**The Hon. R.I. Lucas:** I believe that that information can be useful in terms of helping Government agencies such as Human Services in the allocation of its available funds and, indeed, whether the quantum is reasonable in the first place. I think that there is a view that says we need tens of millions of dollars more for problem gamblers. I believe that we need to establish what it is that we can do, and it would be useful to know how many more people there are who require assistance; if we can identify that. I know that a lot of research is taking place at the moment in various academic institutions and elsewhere, under various definitions of problem gamblers, trying to establish that. It may well be that we in the Parliament can usefully use some of that research. If none of it is useful—that is, we all agree that the definition that these university academics are using is not the one that we in the Parliament think is a good definition of a problem gambler—it may well be sensible for the Government to

commission some research, either directly or through one of the parliamentary committees or something like that. I certainly have an open mind in terms of that.

This was an issue that I took up with Frank Blevins when I was in Opposition and he was the Minister. I will have to check the record, but I think that I, indeed, got a commitment from the Labor Government that it would undertake some research, as part of the original debate over gaming machine legislation. However, it did not proceed down that particular path. So, I have an open mind. I am certainly happy, as one individual member of the Parliament, to enter into the debate and if, in the end, the collective view is that it would be worth while and useful and that no-one else is doing it, I would be sympathetic to the plea.

The Acting Under Treasurer tells me that, in another life back in the mid 1990s, he was responsible for the Hill report, as I think it became known. His recollection (although he will check it) is that the very quick research they did at that time was of the order of 1 per cent to 2 per cent in terms of the definition of problem gambling. Certainly, that is a figure that has been commonly used. I suppose that is why the industry is using that figure, if the Hill report and others have used that figure in the past. However, I repeat that it depends on how you define problem gambling. I will give a very quick example in terms of school bullying and harassment. As Minister for Education, I received many reports that stated that (put the figure to the side) 30 per cent of people get bullied every week or something. You then look at the definition of 'bullying'. If someone says one unkind thing about you but does not touch you, that constitutes bullying under a particular academic's description.

*Members interjecting:*

**The ACTING CHAIRMAN:** Order!

**The Hon. R.I. Lucas:** Exactly. So, you lot have been bullying me all day. I just cite that as an example where there is a lot of learned academic research about bullying, and the headline is that one in every three children are bullied every week, sort of thing. We need to go back to the definition. The same applies with respect to problem gambling. We get these extremists who say that 10 per cent or 20 per cent, or whatever else it is, are problem gamblers. What is—

*An honourable member interjecting:*

**The Hon. R.I. Lucas:** I think they recognise themselves. I think they have to define exactly what they believe a problem gambler is, and then it is for the Parliament to agree with that particular view or not. As I said, I think that there would be a lot of people who would not take the very small '1' liberal definition that some of these people have in terms of what is a problem gambler: they would be inclined towards a smaller percentage of 1 per cent or 2 per cent. But I hasten to say that, even if it is 1 per cent or 2 per cent, those people are important and the community, the Government and the Parliament need to address the issue. I do not seek to disparage the 1 to 2 per cent. It is clearly an important issue, and we as the Parliament should try to do something about it.

**Ms BEDFORD:** Has the Government undertaken any research on the costs to the community for each problem gambler?

**The Hon. R.I. Lucas:** I need to take advice from my learned colleague the Minister for Human Services, who has oversight of the Rehabilitation Fund and delivery of services in this area, to see whether he is aware of any research. Personally, I am not aware of any research which quantifies it. I think in the end it would be very difficult to put a dollar

figure. Let us acknowledge that there is a percentage out there. Let us acknowledge that each person is impacted in a particular way. How you would actually estimate the dollar impact of the human misery impacted on his or her partner, children, parents, friends, dog, cat, other family members, or whomever else they come into contact with, would be very difficult to do in specific dollar terms. Again, I am not sure whether it is productive to spend an enormous amount of time and resources trying to come up with a notional figure. I would have thought that it would be better to get on with the task of spending the money on trying to help those people who we know are coming through the Department for Human Services' door and who require assistance. The Acting Under Treasurer, who is obviously very learned in these issues, tells me that research is being done in North America at the moment on this very issue, and, rather than we in regional South Australia replicating the large sums of money that might be incurred, we might be able to learn from the research that is being undertaken in the US. It will not be directly transferable but it might give us some further information that we can pursue.

**Ms BEDFORD:** Has the Government allocated any funds to research why poker machines lead to problem gambling, including researching the actual features of the machines, such as the lights and the noises?

**The Hon. R.I. Lucas:** I think my response will have to be the same as the last one. I will consult with my learned colleague the Minister for Human Services, but personally I am not aware of any Government initiated research. Again, I am aware of a range of research which is available not only in Australia but in other parts of the world, I understand, in relation to this particular issue. It is an important issue. Certainly the Parliament, when it comes to the Hon. Mr Xenophon's sort of lengthy tome on appropriate gaming machine practice in South Australia, the world and the rest of Australia, or whatever, a number of these issues are being canvassed by the honourable member. He has a particular view and each of us is going to have to address that when the legislation goes before the Legislative Council. You might be spared the problems if it does not get through the Legislative Council, of course, but, if it gets through the Legislative Council, the member will have an opportunity to explore those issues.

**Ms BEDFORD:** In the light of that I am concerned because, if you are banking on a 2 per cent or 3 per cent increase overall, and if we were able to establish, for instance, that the lights and buzzers created that sort of an impact on the machines, you would be loath to introduce any sort of consumer thing to lower the appeal of the machine, would you not?

**The Hon. R.I. Lucas:** I am delighted to see the member for Elder rejoining us. I know his particular interest in this issue, both personal and political, so I am delighted to see him joining the fray. The honourable member says that I would be loath, but, again, this is an issue where I do not speak on behalf of the Government. Speaking personally, flashing lights or whatever else it is, I am not particularly fussed about. In the end, as one individual member of the Legislative Council, I will make my judgment on the individual components of the Hon. Mr Xenophon's legislation. What the impact of that might be, if there is information available within Australia or elsewhere, I am sure that the Hon. Mr Xenophon in his meticulous way will have tracked it down and will make it available, copious quantities of it, with those wonderful resources we provide to members of the

Legislative Council, like Mr Xenophon, and share it with all colleagues who might be interested in the topic.

**The ACTING CHAIRMAN (Mr Lewis):** The Hon. Treasurer would recall that during the term of the Hon. Martyn Evans as a member of this House and Chairman of Committees he asked questions from the Chair, and whilst that practice may not have been followed in recent times I propose to ask a question now from the Chair. Quite simply, why do we bother with the Liquor Licensing Commission? Is there any evidence that there is a reduced number of alcoholics in South Australia than in the Australian Capital Territory, where there is no Liquor Licensing Commission and where it is possible to purchase alcoholic beverages from delicatessens or any other shop which chooses to sell them? Is it not an anachronism, since the reason for it having been set up was to protect people from the dangers of alcohol and over-indulgence, to the point of becoming dependent on alcohol, to such an extent now that, as with other substances such as tobacco, all we really need to do is to define whether or not we think there should be some constraint on age for purchase and allow the market to determine who sells what and to whom?

**The Hon. R.I. Lucas:** Mr Acting Chairman, as Treasurer I am into gaming, but I am not allowed to get into liquor. It is actually the responsibility of the Attorney-General. The Liquor and Gaming Commissioner reports to me in relation to gaming issues, but reports to the Attorney-General in relation to liquor issues. However, without wishing to tread on the Attorney's toes—I would be very cautious there—the Commissioner has advised me that all of the jurisdictions, including the Northern Territory, do have either a Liquor Commissioner or a court, or something. So, it would be difficult, in an Australian context, anyway, to look at one of the States or Territories and say, 'There is the number of people with alcohol problems, where there is not a court or a commissioner, whereas we in South Australia have one and we still have the same percentage.' We do not have a control group, if I could appeal to the Acting Chair's interest in research methodology. I am advised that all of the jurisdictions have a commission or a court of some order, including the Northern Territory, and therefore it is not possible for us to make the sort of comparison that the Acting Chair has put to me. If the Acting Chair has other particular issues in terms of liquor, might I suggest that he address them to the Attorney-General, rather than to me.

In response to the last question from the member for Florey I am advised that South Australia is actually chairing a national working party on gaming research, which has established a register on gaming research, and, if the member wanted to pursue an issue, I would be very happy for the member to have a discussion with the Gaming Commissioner after today's proceedings, and he might be able to throw some further light on research which is being conducted. But South Australia does take this issue seriously. We are chairing the national working party, and there is this register. If any research is being done anywhere in the world or in other parts of Australia it makes sense for us to gain access to it, rather than trying to spend our own dollars to replicate it.

**The ACTING CHAIRMAN:** Can I put to the Treasurer then whether there is a case to place a cap on the number of licences issued and then offer those licences by tender, open cry 'auction', or a mixture of both, for an eight year term so that, after eight years, the licence has expired and it is open to sale again to the highest bidder from the State?

**The Hon. R.I. Lucas:** Is this a licence for new machines?

**The ACTING CHAIRMAN:** No, just the licence to operate a machine.

**The Hon. R.I. Lucas:** All existing machines?

**The ACTING CHAIRMAN:** Including them. Is any research being done on what benefits might accrue to the State by proceeding in that manner? Say the machines came up for renewal every year?

**The Hon. R.I. Lucas:** I think it would be too strong a response to say that research has been done, but certainly these issues have been canvassed by a number of members in the community and also by some individual members of Parliament. Again, if members get to debate the legislation of the Hon. Mr Xenophon, in part members will need to consider whether gaming machines ought to be abolished completely, or some people's compromised view that some sort of cap be placed on the number of machines.

I can speak only personally, for what it is worth. Again, this is a personal issue, a conscience issue. One problem that occurs with capping and licences is the same problem that we see with respect to fishing and taxi licences to a degree. Those in the industry—and it depends how one does it—suddenly get a very significant boost in terms of the value of their tradeable product. I assume it is a tradeable product, depending on what model one talks about, in terms of the licence one holds—something that one might have been given. Clearly, if one reaches that situation and if one requires people to now pay for it, I suppose one would have to look at the legal situation.

Are the licences compulsorily acquired? If that happens one would have to look at issues of compensation and then require people again to pay for the licence. I am not sure what particular model is envisaged. Some significant legal and, possibly, compensation issues are involved.

In relation to capping, which, I guess, is a less extreme version of the licensing argument, again those in the industry, as we have heard, are a bit relaxed about it because they are already operating their machines. As with any industry, if you happen to be there why not lock someone else out? I am not surprised that the AHA has been prepared to come on board with the Hon. Mr Xenophon.

It is an unlikely alliance in that respect to see the AHA and the Hon. Mr Xenophon holding hands and tip-toeing through the tulips together on the issue of capping the number of machines in South Australia. As the Commissioner indicated in response to an earlier question, without a cap in place we have already seen a plateauing of the number of gaming machines in South Australia. The small increases we are seeing relate to those operators who had fewer than 40 machines and who are increasing the number of machines by a small amount, or in the case of a limited number of new venues which might have been built and which can work their way through the current very toughly controlled system in terms of acquiring new gaming machines. They must fight off the rigours of the Hon. Mr Xenophon and his supporters left, right and centre all over South Australia as he fights the fight for the introduction of gaming machines anywhere in South Australia.

I cannot add much more than that. That is my personal view. I am sure, Mr Acting Chairman, you will have a slightly different view to that, given your views on gaming machines. I am sure, too, that other members in this Commit-

tee will have different views also. I cannot and do not profess to speak on behalf of the Government.

**Mr FOLEY:** I add that, whilst also putting forward my personal views, I am not speaking for the Opposition. However, I concur with that view in relation to capping. It would only distort the market clearly in favour of those—

*Mr Conlon interjecting:*

**Mr FOLEY:** Yes.

**The Hon. R.I. Lucas:** The member for Elder might agree, too.

**Mr FOLEY:** Well, I do. I note that the Premier is on the record as supporting a cap. I hope that commonsense will prevail with the Premier. Anyway, it is a view to which people are entitled. Given that it is an indulgence to be putting one's personal views forward at this time, I want to ask a question about the Casino. I did not mean to leave it out earlier—

*Members interjecting:*

**The ACTING CHAIRMAN:** Order! The member for Hart has the call.

**Mr FOLEY:** Where are we currently situated with the Casino in terms of the sale process? I appreciate that it is technically on hold or technically withdrawn but is still there if someone wants to make an offer. Has there been any market interest in the Casino licence and, if so, what if anything can the Treasurer advise the Committee?

**The Hon. R.I. Lucas:** In the formalities of it all, the Casino was withdrawn from the sale process last year, and I think that we explored this issue last year in various forums. Nevertheless, Funds SA has maintained a very close watching brief in terms of when it would be appropriate to sell and in what form. Funds SA therefore has been actively, over the past few months, keeping a watch on the market. It is fair to say that some people have been interested in the purchase of the Casino and Funds SA is keeping that issue—

*Mr Conlon interjecting:*

**The Hon. R.I. Lucas:** I will ignore that provocative remark from the member for Elder.

*Mr Foley interjecting:*

**The Hon. R.I. Lucas:** Come to that later will we? Good. As the honourable member indicated in an earlier question when he talked about various proposals in the media to amalgamate various gambling assets, the issue for Funds SA and also the Government will be whether or not they agree. The Minister for Government Enterprises is providing oversight of the Lotteries Commission and the TAB. As Treasurer, I am responsible for Funds SA and, between us, we have carriage at the moment of the Casino. If the Government was to proceed to action on the TAB, the Lotteries Commission and the Casino, it is possible that that could be done separately, or if the Government decided that it wanted to amalgamate any two or all three of those particular gambling assets it would have to decide what sort of process it would want to proceed with. The Government would obviously need to have some discussions with Funds SA in relation to its interest in the Casino.

In summary, there is interest in the market. Funds SA has been, in recent times, actively keeping its options open (that is the safest way of putting it) in relation to that and looking at a possible sale of the Casino. Funds SA and the Government will need to come to a relatively early resolution as to how, if the Casino is to be disposed of, that might be done in the best interests of Funds SA and the people of South Australia.

**Membership:**

Mr Conlon substituted for Ms Bedford.

**Mr FOLEY:** That only confirms my view that the Treasurer should be handling the disposal of all those assets, but each Government handles these matters differently. Is John Frearson still the Managing Director of the Casino?

**The Hon. R.I. Lucas:** Yes, General Manager is his full title. Yes, he is.

**Mr FOLEY:** Could the Treasurer advise the Committee of his salary and the conditions associated with his position?

**The Hon. R.I. Lucas:** I do not have that information with me. I think the honourable member asked that question last year. What was the answer I gave the honourable member last year?

**Mr FOLEY:** That was last year's salary. I want to know about this year's salary. I am trying to keep track of these things.

**The Hon. R.I. Lucas:** Does the honourable member mean that I did answer his question last year?

**Mr FOLEY:** You did. It was a big number.

**The Hon. R.I. Lucas:** The Treasurer and the Government are renowned for their openness and accountability. It sounds as though we have already provided information and there might not be any—

*Mr Foley interjecting:*

**The Hon. R.I. Lucas:** That is why I asked the honourable member. I will need to check. I am not sure what, if any, commercial confidentiality provisions apply to the General Manager of the Casino.

**Mr CONLON:** He probably gets more than you do.

**The Hon. R.I. Lucas:** I am sure he gets more than I do: he undertakes a very important task in running the Casino. If it was provided last year, I suspect that it is probably a little higher or not too dissimilar, but I am happy to take it on notice and see whether or not I can respond.

**The CHAIRMAN:** There being no further questions, we will move on to the next line.

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**Additional Departmental Advisers:**

Mr G. De Gennaro, Executive Director, Commercial and Sale, Electricity Reform and Sale Unit, Department of Treasury and Finance.

Mr T. Spencer, Executive Director, Market and Regulator Reform, Electricity Reform and Sale Unit, Department of Treasury and Finance.

**Mr FOLEY:** I suppose there is no better place to start than with the Treasurer's press release today, which was both timely and interesting in terms of its content. This day 12 months ago the Treasurer said that similar estimates for the 1998-99 budget year for consultants to do with the sale or lease of ETSA were \$8.5 million, and we now see that figure coming in at a reported \$34.6 million. Will the Treasurer explain how the estimate was so wrong this time last year?

**The Hon. R.I. Lucas:** Sadly for the member for Hart, part of the responsibility will have to rest with him and his colleagues, because at this time last year the Government had a view, which obviously did not come to fruition, that the Government would be able to move relatively quickly to a sale of ETSA electricity assets and we would not have been some 12 months later about to embark on a lease of our

electricity assets. And credit to the member for Hart: he fought the good fight for a period of time with the Leader of the Opposition in endeavouring to prevent the important policy initiative that the Government announced on 17 February last year. But in having fought the good fight he must also accept some of the responsibilities that he made a difficult task much more difficult for the Government and, indeed, much more costly for the taxpayers of South Australia.

The Government had to go through a lengthy process of investigating other options in terms of disposal of our electricity assets, some of which have been in the public arena and others which have not. Those in the public arena obviously have included the staged long-term lease of our electricity assets; at various stages floats were discussed in the broader community; partial sale or lease or float options were considered; and, finally, the Parliament resolved on a long-term lease of our electricity businesses. I would not attribute all the increases in costs to the member for Hart, but he will need to accept some responsibility.

I would have to be frank and say that the complexity of the task that confronted the Government as we moved through 1998-99 became much more apparent to me as Treasurer. I became Minister responsible for the electricity businesses in May or June of last year, and I have been on a very steep learning curve in those 12 months. It is fair to say that we significantly underestimated the complexity of the task of trying to split ETSA and Optima into seven electricity businesses—three competing generators, transmission, distribution, retail and a gas trading business—and the costs of the due diligence of that work, the legal complexity of many of the decisions in relation to contracts, the vesting contracts and a variety of other areas.

I acknowledge today, as I did in the media conference at lunch time, that we underestimated the cost and complexity of the task that confronted us. Secondly, the member for Hart's and his Party's approach added to the cost, because of the delay.

*Mr Conlon interjecting:*

**The Hon. R.I. Lucas:** No, credit to the member for Hart and the Leader of the Opposition: they managed to hold it off for 12 months. The Government thought that its victory would arrive sooner than it did: I readily concede that.

*Mr Conlon interjecting:*

**The Hon. R.I. Lucas:** I can tell the member for Elder that I have not had a lunch with the Hon. Mr Crothers.

**Mr FOLEY:** It is good to see we are back where we started: the sleeves are rolled up again and we are bashing each other. It is probably not a bad way to finish the day. It will keep us awake as we go into the evening. The Treasurer has just provided this Committee with utter nonsense. The Treasurer is not a bad bloke and he is a good, competent Minister when he is talking the main game—but he just cannot help himself after those 11 years in Opposition. I hope that I do not turn out like that after eight. I have to say that 11 of these bloody Committees and I will be pretty bitter and twisted, I can tell you! This is my sixth, and I have just about had enough of them. But they serve a purpose, I am sure.

The Treasurer descends into political nonsense and silliness, as he tends to do. Just looking at the list of consultants, I am trying to work out which of those would have actually been time dependent. The Treasurer noted earlier that he had the break-up of our component businesses to do regardless of privatisation. He had accounting measures regardless of privatisation, and I assume that relates to

disaggregation, economic arguments and various other services. More importantly, the Treasurer had no legitimacy to expend any money or retain these consultants once the Parliament had indicated its position.

I think it is just nonsense to suggest that a delay in the Parliament has been the reason for a \$26 million blowout in the cost of the Government's consultants. Which of these costs for consultants is the Treasurer saying was a result of the hold-up of Parliament, and will he give us some specific numbers?

**The Hon. R.I. Lucas:** I hate to spoil a good story for the member for Hart—not that there is anyone interested in us at this stage. It is in the can, I know: we did it earlier.

*Mr Conlon interjecting:*

**The Hon. R.I. Lucas:** The member for Elder is interested: I am delighted. I refer members' attention to the press statement that I put out in June of last year, which stated:

However, it must be stressed that these are estimates and there are a number of factors which may ultimately affect the actual payments next year.

We were at least cautious and wise enough to say, 'Be cautious in terms of these estimates; they are only estimates at this stage, and a number of factors may impact on the ultimate figure.' I have outlined some of those in response to the earlier question.

In relation to the issue of time based or fixed fees, I am advised that the lead advisers, Morgan Stanley/Pacific Road are on a fixed monthly fee, and they also have a success fee at the end. I admit that the figures regarding the communications advisers must have mightily disappointed the members for Hart and Elder and others who have heard various figures such that Mr Anderson and Ms Kennedy were getting \$1 million plus from the Government on this gravy train of consultancy. Their estimated costs out of the \$34 million is \$388 000. They have a monthly fee or account that they are paid.

*An honourable member interjecting:*

**The Hon. R.I. Lucas:** I thought it was a fascinating experience; I am looking forward to it. The rest of the advisers—environmental, engineering, legal, economics, actuarial, and so on—are paid on a time basis.

**Mr FOLEY:** The legal fees are obviously paid to the lawyers. You have a global figure of \$16 794 000 for a whole series of solicitors. Will the Treasurer break that up into individual companies?

**The Hon. R.I. Lucas:** I can take that on notice and provide that information. I might even be able to do that by the end of the day.

**Mr FOLEY:** The reason I ask that is that information provided to the Opposition is that a large proportion of that money went to Sydney based solicitors, which I understand would be Allen Allen and Hemsley and Arthur Robinson and Hedderwicks—I assume that they are not locals—and that they, in turn, subcontracted Adelaide solicitors to do much of the Adelaide based work. Is that the case and, if so, why did we go to eastern seaboard solicitors only to see them subcontract the work back to Adelaide solicitors? If that is not correct, I would like that to be knocked on the head.

**The Hon. R.I. Lucas:** I am not aware of any evidence of the sort of issue the member is claiming, and it was claimed more specifically by the Leader of the Opposition last evening, that is, that Allen Allen and Hemsley, for example, is charging us a higher rate and is employing a local solicitor from one of these other firms to undertake the work. I will have that investigated, but I am not aware of any evidence of

that. It is true that Eastern States legal firms charge at higher rates than local firms. That is a statement of the legal reality and the real world out there in terms of the charges for not only legal fees but a range of other consultants or advisers as well.

The reason why the Government put together this group of legal firms is that we wanted the best available talent that South Australia could provide and was available within Australia. I have worked with some of these people locally. People such as Paul Turner and others from local firms have been outstanding in terms of their legal competence and advice to the Government. The advice of him and his team has been excellent. However, the people we have had from the two interstate firms have been outstanding in their fields. By way of example, one of the critical issues of this whole process is obviously competition policy. In one firm, one person is acknowledged as being one of Australia's leading legal minds regarding competition policy, the operations of the ACCC, and all related issues.

That is the reality of doing a big deal such as this. South Australia has never done a deal of this size. If we are going to try to maximise the proceeds from the sale, we need to have the best people available. If we are going to be parochial and say that only South Australian lawyers and consultants can be employed, it is my judgment that we will not maximise the lease proceeds to the taxpayers of South Australia. We identified amongst the companies and firms from those who bid to be our legal advisers the sorts of skills that we needed, and I give that as one example in that area. It was a critical skill we needed; we did not believe it existed in some of the groups that bid for the legal contracts in some of the other groups, and this person and group offered for us that level of expertise.

There are other areas such as the competition area where we believed that we needed the very best. I can say the same thing in relation to some of the accountancy tenders that we received. Clearly, to have on your team some of the acknowledged Australian leaders in taxation and leasing and sale processes in big multi-billion dollar deals such as this makes sense. In the end, you have to pay for that. The Government and me personally, as Treasurer, remain exposed to the provincial or parochial criticisms that we should have employed only local lawyers and accountants. In the end, we would also have been criticised if in terms of our legal approach we did not get it right, or in terms of our structuring of the tax deal we did not get it right. I am sure the member for Hart would have been on the front foot if someone from interstate came across and said to us, 'Why on earth didn't you tackle your legal issue this way?' or 'Why on earth didn't you tackle the actual sale or lease in this particular way? You have cost the taxpayers of South Australia X hundred million dollars because of faulty legal, accounting or tax advice.' Having been in Opposition for 11 years, we have the best of both worlds.

*Mr Foley interjecting:*

**The Hon. R.I. Lucas:** I have been there for 11 years as a member of the Opposition, so I have the best of both worlds. I have been there for 11 years and I know the attraction from that viewpoint—not from others—of being in Opposition and able to criticise on one flank and then, if that does not work out, you can turn your argument around 180° and tackle the matter from the other side. That is the attraction of being in Opposition.

*An honourable member interjecting:*

**The Hon. R.I. Lucas:** As I said, there are disadvantages of being in opposition. I do not resile from the fact that these are significant costs. However, as I indicated in the press statement today, ultimately we believe that the estimates are that this will be about 1 to 2 per cent of the total cost of our proceeds. If this team can screw out an extra 2 per cent, 5 per cent or 10 per cent, whatever that amount of money is, it will more than pay for its cost. Already we have got \$30 million out of the fast tracking of the Pelican Point National Power project, that fabulous new power station down at Pelican Point about which we have all talked in recent times. We got \$30 million from that.

I highlight that, as a result of the advice we received from the advisory team, the Government has not proceeded with one of two options which were given to it and which we were told had to be decided 12 months ago. It was an expenditure of up to \$40 million or \$50 million on Riverlink out of Government businesses or up to \$150 million on repowering Torrens Island. Our consultants came on board and told us to relook at the Playford Power Station. For a sum of \$5 million or \$6 million Playford was cranked up again and we have been able to buy some time as we move down the sale/lease process. We have already recouped more than the \$34 million that has been spent this year on consultancy costs through those sorts of decisions. Also, as I have indicated publicly, the electricity businesses have paid for about half that cost, anyway—\$20 million of the total \$43 million all up cost for the cost of disaggregation.

The only other point I would make, given that we are obviously going to explore this for a while, is that the Labor Government in its last few years spent some \$29 million on consultancies in ETSA at a time when they were not having to split—

*Mr Foley interjecting:*

**The Hon. R.I. Lucas:** No, over the past four or five years; let us be fair.

*Mr Foley interjecting:*

**The Hon. R.I. Lucas:** John Quirke put out a famous report and you might speak to your Senator colleague, as he attacked the issue of consultancies of his own Government in 1992-93. I would have to check, but over a period of about four or five years, at a time when there was no preparation for a national market and there was a monopoly situation for electricity here in South Australia, no competition, no national market, no splitting of the businesses into seven and no preparation for sale or lease, the Labor Government managed to spend \$29 million on—

*Mr Foley interjecting:*

**The Hon. R.I. Lucas:** The member for Hart professes ignorance, as he does on a number of occasions when he is in difficulty on these issues. He is reeling from the truth of what I have now revealed to him and the Committee. He is reeling!

*Mr Foley interjecting:*

**The Hon. R.I. Lucas:** I am not sure why the member for Hart sees that as a badge of honour. He can take his inability to win a job within the Bannon Government in whatever way he wishes.

*Members interjecting:*

**The CHAIRMAN:** Order!

**The Hon. R.I. Lucas:** The point I am making is that almost eight to 10 years ago (and we would have to inflate the costs these days), a Labor Government not confronted with any of these complex issues still managed to spend \$29 million of taxpayers' money on ETSA consultancies.

**Mr HAMILTON-SMITH:** My question relates to the Portfolio Statement, page 3.14, dealing with repairs to and maintenance of ETSA Utilities. Can the Treasurer advise the Committee of the present status of repairs and maintenance of ETSA Utilities and distribution infrastructure? Is the safety and performance of the assets being maintained to an appropriate standard despite presentation and preparation for leasing?

**The Hon. R.I. Lucas:** There are some figures in relation to outages from ETSA Utilities that it would be useful to put on the record if we can turn them up but, if I cannot, I will provide them in due course. I will speak in a broad manner and clarify the position if I get the correct figures. The best measure of the state and maintenance of ETSA Utilities' assets and the asset base is a measure called 'outage time', which is the down time in terms of blackouts that consumers or customers face in South Australia.

ETSA Utilities' record has been pretty good in that area. The figure is about 110 or 120 minutes a year outage time, and the equivalent figure for the Victorian distributors (the companies equivalent to ETSA Utilities) is something like 150 to 200 minutes. It is in that broad band, so the performance in South Australia of our ETSA Utilities is significantly better than the performance of most of the distributors in Victoria in particular.

I have been provided with information which indicates that ETSA Utilities has a comprehensive asset management policy, as you would imagine. It is in keeping with the best national and international standards and its planning horizon is some 15 years. All capital expenditure proposals undergo rigorous financial and business case evaluations, as indeed they will have to under the new private sector operated system. System performance is monitored and analysed for the quality of safety and reliability, capacity and utilisation.

The figures are called the 'System Average Outage Duration' (SAOD), and the forecast result for 1998-99 is about 115 minutes. So, my recollection was reasonably accurate, and the comparable figure in Victoria for 1997 (so it is not the same time) was 199 minutes. I think I said it was somewhere between 150 and 200 minutes. So, the performance of ETSA Utilities is very good compared to some of the Victorian distributors, although their performance has increased significantly since the privatisation of the industry in Victoria. It was well over 200 minutes when it was run by a Government owned operator.

I understand that some \$174 million worth of work in capital expenditure has been incurred in the last three years in ETSA Utilities or companies which preceded it in terms of trying to upgrade and maintain an appropriate level of the asset base.

**Mr HAMILTON-SMITH:** I move to the Portfolio Statement, page 3.14, and the subject of regulatory legislation. What is the status of the regulatory legislation for the electricity supply industry introduced into the Parliament in July last year? How soon before Parliament can expect to be dealing with this and what effect does the time frame have on the lease process of our assets, if any? How soon after this legislation is passed do we expect South Australia to have an Industry Regulator and what will his/her role be?

**The Hon. R.I. Lucas:** There are three Bills remaining, two of which are critical. The two critical Bills that have to be passed by the end of this current session are the Independent Industry Regulator Bill 1998 and the Electricity (Miscellaneous) Amendment Bill 1998. Before the first week of August, which is the last sitting week, Parliament will need

to have passed these two pieces of legislation. They are very important in terms of the lease process. Whilst the authority to proceed with the lease was passed with the Bill some two weeks ago, prospective operators of our businesses want to know what the controls and regulations will be in terms of private sector operation of the businesses. The passage of both those Bills will be important.

The Independent Industry Regulator Bill will establish an Independent Industry Regulator and that Regulator may take on responsibilities other than electricity. In Victoria, for example, the Office of the Regulator-General (ORG), has responsibility not just for electricity but for gas and it has some monitoring and oversight of water and ports charges, as well. The Regulator is an overarching Regulator and takes on powers for various industries. Rather than having six different regulators, the overarching Regulator takes on responsibilities in various areas. South Australia already has a gas Regulator and this Bill establishes a new Industry Regulator.

The electricity Bill will give the Regulator the powers that relate to the electricity industry, and those powers will be significant. The Regulator will be independent of Parliament and of the businesses. It is modelled on similar lines to the Office of the Regulator-General in Victoria. The Regulator will have the final decision in relation to the codes or standards that apply to the operations of the businesses, any performance incentive scheme that might apply, the issuing of licences and the monitoring, control and regulation of those licences. If someone behaves badly in terms of the operation of a licence, the Regulator has significant powers in terms of the penalties that can be imposed on that licence holder. The Regulator's powers are very comprehensive. In terms of timing, if the Bill is passed by the first week of August we would hope very soon after that to be in a position to make an appointment to the position of Independent Regulator.

**Mr CONLON:** My question concerns the electricity assets lease and the emergency services tax. Amendments have been placed on the Notice Paper to amend the emergency services tax so that those who hold real property on lease or licence from the Crown will pay the tax on that property as if they were the owners. For the purpose of the legislation, they will be deemed to be the owner. I assume that those amendments will proceed when the Minister screws his courage to the sticking point and brings the legislation back, and I imagine that there are strong arguments for them and they are likely to succeed.

The result will be that the real property assets of the electricity companies that are to be leased will be susceptible to the tax, as well as the mobile property. I invite the Minister to tell me if I am wrong in saying that, but what is the value of that real property, what will it mean in contributions to the fund and will it help in a reduction of the rates paid by ordinary people?

**The Hon. R.I. Lucas:** Not being the world's expert on the emergency services levy, I will provide some advice and, if I need to provide a more detailed response, having consulted with the Minister responsible, I will do so in a written form. My advice is that, if the Bill that the member is referring to is passed, the lessees will be responsible for the payment of the emergency services levy in the way that anybody else would be, as I understand it, but I will take advice on that. The legislation does not appear to envisage any significant change in relation to them as opposed to anybody else. I do

not know what the capital value of the properties will be. That issue would have to be determined—

*Mr Conlon interjecting:*

**The Hon. R.I. Lucas:** I do not think that you have to pay the emergency services levy on consultants, but it is an interesting idea.

**Mr CONLON:** Consultants would know what is the capital value of the property that they are leasing.

**The Hon. R.I. Lucas:** I am sure that they will have an idea but they are not experts on the emergency services levy and how it might apply. If the Bill does not go through because Parliament blocks it, or whatever—

*Mr Conlon interjecting:*

**The Hon. R.I. Lucas:** I am pleased to hear that. If the Bill does not go through, it would still be the intention in this arrangement that the owner—ETSA Corporation or some other Government entity—would through the leasing contracts ensure that the lessees incurred the cost of the emergency services levy. While the Bill will tidy up that issue of lessees (not that it was designed for that), if in the end it does not go through, my advice is that we, the owners, through the leasing contract would ensure that the lessees met the cost of the levy.

**Mr CONLON:** I am not sure that that answer is right and I ask the Minister to check my next point, as well, although I appreciate that he is not an expert on this tax or levy. I understand that the Crown, as the owner of the land, is not required under the levy arrangements, if it so chooses, to pay the levy on all of the capital value of its land. It can pay a proportion of the sum, and I would assume that that is what the Government is doing. I am saying that the Government would be passing on a proportion of the sum, and not the levy, on the capital value of the land.

I have a strong suspicion that the capital value of the real property of the electricity assets is very high, and that is what we would like to determine. You would not pay rates on the capital value of the real property because you would not pass it on and that is because you would not pay that. You would continue to pay a proportion of the overall sum.

**The Hon. R.I. Lucas:** The member, who I understand is on a House of Assembly select committee that is actively looking at the detail of this levy, may well be in a position to provide greater advice to the Committee than I am. I can only give the indication that I have given so far. I am further advised that the Government is paying 11 per cent, I think it is, at the moment, for an interim period (I am not sure exactly how long) and, at the end of that, the intention was (I am not sure whether it is more than intention) that the Government would then move to a new payment regime where it paid the levy on the capital value of its assets.

*Mr Conlon interjecting:*

**The Hon. R.I. Lucas:** I am not sure. As I said, it is not my area of responsibility. I will take advice on it and probably it would be more sensible for me to say that I will provide a more detailed response to the Committee after I have taken that advice.

**Mr WILLIAMS:** My question relates to Budget Paper 2, page 8.9, ETSA Power—of course, since this budget has been printed there have been some changes. It is estimated there that the results of ETSA Power in the next financial year could be anywhere between a loss of \$74 million and a profit of \$2 million, with a likely estimated loss of \$30 million. Of course, that was predicated on circumstances which have changed somewhat since. There is an example in there about ETSA Power in fact having to spend \$2.6 million over an

8½ hour period, buying power at an average price of \$1440 a megawatt hour. It seems that ETSA Power was forced into making that purchase because there was a shut down of the Victorian interconnect at the same time as there were some problems with one of our generators, and we were unable to supply the power while the interconnect was not working at capacity.

What sort of relationship does ETSA Power management have with the other managers in the national electricity market? Can they get their act together, I suppose, in simple terms, a bit better? I specifically ask that question because it has been put to me that it possibly could be seen as collusion between various managers if they conspire to make sure that they shut down things such as interconnectors at times of low demand, and that people who make those decisions could be opened up to legal action by other generators which are sitting back waiting for opportunity at a time of peak demand. So, by removing those peak demand opportunities from other generators they could see that there has been collusion and they have been worked against and it will cause them substantial losses, or removed potential for substantial gains. Can the Treasurer give the Committee some information about the way in which that system will operate?

**The Hon. R.I. Lucas:** The honourable member asks a very important and interesting question, and this is one of the reasons why the Government has tried to get the very best people in terms of its legal advice. One of the people from one of the interstate firms is an expert in this area of competition, and the sort of allegation that has been put to the member in terms of collusion and anti-competitive behaviour under the Trade Practices Act, all those sorts of things, as we have seen in recent times, can be very important in a number of industry areas. We are, indeed, fortunate, I suppose, to have this firm and this person as part of the advisory team.

The best that I think I can put on the record at this stage is that I have had some informal discussions with national regulators, from NEMMCO, and this issue has been discussed with them—not the specific issue that the member has raised, but a related issue. A question was put to them that if, for example, the people doing the routine maintenance of the interconnector were to do it on a Monday instead of a Sunday, that is, a high peak demand day—it might not be a peak day, because this was in the middle of autumn—and the regulator people were doing it on the basis that it was cheaper to do it on a Monday than on a Sunday (because you do not have to pay double or triple pay, or whatever it is you have to pay), whether there would be a problem if ETSA Power said that it was cheaper for it to pay the penalty rates—the difference—to those organising the maintenance of the interconnector to ensure that it is done on a Sunday.

Because here we are at the end of the current national market, and if we have an unexpected outage on a normal working day—even if it is in April—it is our market and the price is in our market and, therefore, ETSA Power could potentially lose \$2.6 million in an afternoon's trading. So, the ETSA Power view is that it is a lot cheaper than \$2.6 million to pay the penalty rates—if it is a planned outage. Clearly, if things happen unexpectedly, you have no control—we have to bear that in mind—and, in most cases, it is probably unplanned problems, or whatever else it is. But if it is a planned outage for maintenance, or whatsoever else it is, ETSA Power put that particular view. The informal advice I have had is that there does not appear to be anything in competition policy that would prevent that.

The sort of people who have spoken to the member would probably take a different view. They might argue that they would see that as—I think the member used the word 'collusion'. I will not use that word, but they might see it as something that should not be allowed. It is an issue that is being discussed and canvassed at the moment, that it is important in terms of the operations of our national market, and it is an issue that I know the board of ETSA Power is continuing to pursue. Certainly, for the foreseeable future, as the Minister, obviously, I will be apprised of those further discussions that we might have.

This is an important area. I cannot say much more than that, other than to say that I can give the member the informal advice that we have had so far. It would appear to be a little at odds with the sort of anecdotal view that the member has had put to him from some industry participants. Time will tell, I suppose, as to what the formal response from the regulatory authorities might be.

**Mr WILLIAMS:** It just seems to me that the whole exercise is predicated upon providing competition to bring down the price of power to the consumer. If we cannot facilitate that because of some other issues between various players in the market—and I believe that there are players coming into the market specifically to take advantage of peak load times—it seems that somewhere we have lost sight of the whole issue that the national electricity market is predicated on, which has probably moved somewhat to encourage South Australia to dispose of these assets. I thought that everything to do with our electricity market and the disposal of our power utilities was predicated on lowering the price to the consumer, and it seems that there is a possibility that that will become a secondary issue once the lawyers get hold of it all. It is sad.

**The Hon. R.I. Lucas:** I hasten to say that the sort of issue that the member is raising, irrespective of whether we own the assets or whether we lease the assets, is really an issue in relation to competition policy and the national electricity market. The sort of problem that the member is raising is occurring with Government ownership of the businesses and will continue to be an issue that would have to be resolved one way or another, with Government ownership of those businesses. It does not become an issue because of private sector operation. It is an issue at the moment because of the national market and because of competition policy. As I said, the initial informal advice I have had from some of the people from the national regulatory authorities is that they do not see that there is a problem with the sort of circumstance that I outlined, where ETSA Power might take some action which would be cheaper from its viewpoint, and which would also be better from the price viewpoint in the South Australian market.

**Mr WILLIAMS:** I take the Minister's point that, irrespective of the ownership, these problems will arise. In relation to the Riverlink proposal, I noted with interest over the past couple of days that Transgrid in New South Wales is moving ahead with establishing an environmental impact study. It is looking at proposed routes and is going to move to an EIS. So it looks as though that project is still on the drawing board certainly as far as Transgrid is concerned. I am still having trouble reconciling whether the electricity consumers in South Australia, whether it be industry or households, have been lost in the mire of all the consultants and lawyers and everybody looking at other issues, losing sight of the issues that we started on, and that is power pricing.



There is considerable debate certainly within my own mind on this whether we would be best served with an unregulated interconnect between New South Wales and South Australia, or a regulated one. I am told that if we end up with an unregulated interconnect it will in fact operate in a fashion similar to if we had another generator sitting at, say, Robertstown, where it is going to connect into our grid; whereas if we had a regulated interconnect would it operate more like a freight company, purely freighting electrons backwards and forwards.

It is also interesting to note that it seems that Queensland will have, in the not too distant future, an excess of supply of electricity, according to what I read in the electricity literature. So I believe that we will be well served by having an interconnect between Robertstown and somewhere near Mildura into the New South Wales grid. Have the consultants done any economic modelling on which would be of the greatest benefit to the South Australian consumer, either a regulated or an unregulated interconnect in that area?

**The Hon. R.I. Lucas:** The answer to the question is yes, and the Government's very strong advice and the Government's position is that we support an unregulated interconnector, as opposed to a regulated interconnector. I think the first point to make is that the Government's position has been mightily misrepresented in relation to interconnectors with New South Wales, and it is worthwhile, relatively briefly, tracing the history of this, because it has been misrepresented. The threshold decision for the Government was: we need extra power in South Australia to reduce the likelihood of blackouts at the end of next year and therefore the Government had to guarantee additional capacity or supply. The Government looked at all of the options to see what particular option would guarantee that additional capacity. It was the Government's very strong view, and certainly my strong view, that the only guarantee we could have was a fast-tracking of the Pelican Point Power Station.

*Mr Foley interjecting:*

**The CHAIRMAN:** Order!

**The Hon. R.I. Lucas:** The member for Hart can come back after the dinner break and savage me if he wants to. Mr Chairman, the Government took the decision that we had to be able to guarantee the excess capacity. We looked at the proposals from Transgrid. If I can indicate that the Transgrid people who met with me at the end of last year, I think it was, said to me that they could have their proposal up within 12 months, that they would be out of all the NEMMCO inquiries by February or March this year. However, they are still tied up in NEMMCO until October. They are currently seeking approval for regulated asset status through NEMMCO. They are seeking to change the benefit test, whether it is public or customer benefit, and they are also seeking regulated asset status.

They told me that they would have this thing, Transgrid, Riverlink, built within a period of 12 months, and as part of that they would have to have been out of the NEMMCO inquiries by about February or March, or something of that order. They are still in those proposals and will not come out of them, I am told, until around about October at the earliest. Yes, they are talking to local communities in the Riverland, etc, but they are still trying to get approval through the NEMMCO process. They have already been knocked off once. They were knocked off by NEMMCO in the middle of last year and they are still trying to get approval through the NEMMCO processes, and my advice is that the earliest they

look like emerging from that, one way and another, is likely to be October.

So if this Government had taken the decision not to proceed with the fast-tracking of Pelican Point, and we had said, 'No, we will listen to Nick Xenophon and Mark Duffy and the New South Wales Labor Government lobbyists, etc, and we will go with Riverlink,' and we had not gone ahead with the fast-tracking, we would be sitting here at the moment wondering whether they would ever emerge from these regulated asset submissions and inquiries and if they were ever going to be able to build the Riverlink connection between New South Wales and South Australia. We would be leaving ourselves mightily exposed to criticism from the Opposition, the community and businesses if, at the end of next year, there were blackouts.

So, it makes sense for the Government to be fast-tracking at the perfect site for it, at Pelican Point, a magnificent new 500 megawatt power station, Mr Chairman, which, when it is up and going, even many of the residents, I am sure, at North Haven, almost two kilometres away—

*Members interjecting:*

**The Hon. R.I. Lucas:** Mr Chairman, you would have to stand on Greenhill Road and try to see Parliament House. That is about two kilometres, I am told. That is about how far the nearest resident at Pelican Point is to this particular power station.

*Mr Williams interjecting:*

**The Hon. R.I. Lucas:** Well, they are going to have a lot in between the power station and the nearest residential development. The next time people are on Greenhill Road, if they try to see Parliament House on North Terrace, that will give an idea of how far these residents at Pelican Point will be from this power station, and it might even have the member for Hart's golf course, and a whole variety of other things, in between.

So the Government's position is very strongly to support an interconnector, and there is an alternative proposal which is being actively canvassed at the moment by TransEnergie, a very big Canadian company, and they are actively considering building an unregulated interconnector. That is the company which is building an unregulated interconnector between New South Wales and Queensland. So it is not pie in the sky stuff. They are actually doing it. It is called Directlink, from New South Wales to Queensland. TransEnergie are doing it. They are looking at Centrelink.

*Mr Foley interjecting:*

**The Hon. R.I. Lucas:** They are obviously not aware of the other usage of the title here in Australia, but, nevertheless, Centrelink is there, an opposing proposition to Riverlink, to link New South Wales and South Australia. The Government is supportive of an unregulated interconnector. There will be a need further down the track, after we see Pelican Point up and going. We have new generating capacity in the South-East with Boral; we have Western Mining and BHP looking at new plant at Whyalla; and we have TransEnergie and Transgrid looking at interconnector proposals. So with all of that we have the potential to see some significant increase in capacity. That is what this market needs. If you want to see a reduction in prices you have to have increased capacity as existed in New South Wales and Victoria, so that there can be competition between the retailers to write contracts and to compete for business with business customers or households, ultimately, after 2003.

**Mr WILLIAMS:** I have a brief supplementary question. First, though, I would just point out that the Minister's

analogy about Greenhill Road and seeing Parliament House is a fairly poor one, in that the city of Adelaide intervenes, that it is on a hill and is full of high-rise buildings. I would have thought that he could come up with a better analogy than that. My supplementary question is: was the economic modelling that the Treasurer said he had done an attempt to discover the benefits to the electricity consumers or to Treasury's benefit in terms of disposing of the assets? What parameters were used. What was that modelling trying to achieve?

**The Hon. R.I. Lucas:** In all the work we have done, modelling and other advice, the Government is interested, obviously, in a competitive electricity market in South Australia and competitive electricity prices. That is a key priority. All our work has been looking at trying to reduce not all the work but a lot of the work in relation to the level of monopoly power that the single monopoly generator had in South Australia, and that was Optima.

So, if the Government was interested only in maximising the value to the Treasury it would have just left Optima there as a monopoly generator. We would have got maximum value and we would not have fast tracked Pelican Point, because that is a big competitor and it will take away business from our existing Government-owned businesses. We would have left National Power to fight its way through the morass of Government departments and agencies to try to get its proposal up. This is in addition to dealing with local members and the fact that no-one wants a power station anywhere near them, with the exception, perhaps, of Whyalla. Of course, National Power did not want to go to Whyalla.

So, if the Government was driven only by asset sale or lease proceeds it would not have taken those actions. The Government is driven by a combination, obviously, of trying to have a competitive market, lower prices and also, of course, trying reasonably to maximise its proceeds from any lease or sale.

**Mr WILLIAMS:** The Victorian interconnect currently, I believe, has a capacity of 500 megawatts and I have heard, again anecdotally, that opportunities are there to upgrade the capacity of that line. Will the Treasurer outline to the Committee why it was imperative to build Pelican Point rather than going down the track of actually upgrading the Victorian interconnect to provide the extra capacity for South Australia, particularly in view of the fact that another 80 megawatts of capacity is being proposed (it is more than being proposed; it is being constructed) by Boral in the South-East?

**The Hon. R.I. Lucas:** My advice is that the size of the various proposals to upgrade the Victorian interconnect are relatively small—of the order of just under or over 100 megawatts in terms of what the operators believe is possible. The Government was looking at a quantum capacity above that. In the end, National Power has indicated its willingness to look at up to 500 megawatts.

In relation to interconnects, the Government is relaxed about and supports an unregulated interconnect with New South Wales. We would have the same view in relation to an unregulated expansion of the interconnect with Victoria. If a proposal comes forward for an expansion of that, and if, for some reason, the private sector people see better value in that than in the New South Wales interconnect (and there are some arguments as to why they probably would not), the Government is probably prepared to support those sorts of proposals. Nothing firm has been put to us in relation to that. There has been some speculation on that issue.

The other issue is that the Government took a view that generation within our own State obviously has some flow-on benefits. We have South Australians employed within South Australian industry. We could guarantee that. We could not guarantee the delivery of an unregulated upgrade of the Victorian interconnector within the time frame about which we are talking. So, whilst there were other issues, many of these options came back to the fact that we need the power by the end of next year, so what option can we guarantee which will be of value to the State of South Australia in terms of competition and which will be ready by the end of next year? From all those, Pelican Point and fast tracking came up trumps all the time in terms of being able to guarantee it.

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

#### **Membership:**

Ms Bedford substituted for Mr Conlon.

**Mr WILLIAMS:** I would like the Minister to provide me with some information that I can take back to some of my constituents. They do not involve the sort of broad philosophy that the previous questions which I put to the Minister did. I expect that the Treasurer will be able to handle these questions very simply, but I hope he will take a few minutes to give me some information to take back to my constituents.

In relation to the proposed leasing of the ETSA assets, constituents have been asking me what will happen to the program of undergrounding powerlines in townships and suburbia. Will there be opportunities for councils and the new lessees of the ETSA poles and wire assets to continue with undergrounding under similar circumstances to that which has been happening previously?

**The Hon. R.I. Lucas:** The answer to the question is that the Government will continue, in broad terms, the existing program with the PLEC committee, which oversees the undergrounding of some of the electricity assets. ETSA Utilities, which is the company now, contributes between \$3 million and \$4 million to undergrounding and, for approved schemes, local government contributes on a sort of one for two basis. The total program, I think, is approximately \$5 million or \$6 million, which is comprised of some local government funding and some ETSA Utilities funding.

The Government's commitment is that broadly we would see that particular program continuing at the same sort of level that we have seen in the past few years. Obviously, we have to look at how we would institute that in practice. I met recently with Roger Goldsworthy, who is the Chair of the PLEC. Mr Goldsworthy and the Secretary of the committee put a particular point of view to me, as Treasurer, as to how we might structure that. I am taking advice on that at the moment. We will look at that, but the bottom line is that the Government will continue the scheme broadly in the same fashion that exists at the moment. There might need to be some changes in terms of how the committee operates.

In terms of the overriding principles of some central contribution, whether that be from the company or from the Government, there could be some contribution from local government, some assessment about the appropriateness of a particular scheme and then some agreement to go ahead with the involvement of a committee such as PLEC. Those sorts of broad principles would probably underline the Government's commitment.

**Mr WILLIAMS:** My other question also emanates from the local government sector and relates to street lighting. The

local government sector in general has, in recent times in particular (but it stretches back for a fair period), been quite unhappy about the level of maintenance of street lighting and the cost that it incurs. I know that there has been quite a bit of debate in recent times about the timeliness of letting the authorities know when street lights are not functioning. I believe that ETSA has made a commitment to repair street lights within a certain time frame. However, local government has said to me that it is very concerned about where it will be in future with a privatised ETSA. Would the Minister comment on this?

**The Hon. R.I. Lucas:** I am pleased that the honourable member has raised this issue because the LGA has circulated its concerns to all of the 68 or 69, or whatever the number is, councils. I continue to receive a stream of pro forma letters from the LGA expressing its concerns in relation to this area. There is a very good story to tell in response to the honourable member's question and the Government's proposals in this area. The first thing I would say in relation to current performance is a point I made privately in a conversation, at least in part, with the honourable member in recent weeks. ETSA Utilities would indicate that it has a pretty good record—and I am happy on notice to give you the exact statistics and details—once it is advised of a street light being out. The percentage of street lights that are repaired within five days or 10 days (and there might be two measures) is extraordinarily high. I saw a draft response to the Port Augusta Council, I think, which had been complaining about this issue.

The complaint had been that street lights had been out for many months and never repaired, and that that was ETSA's fault. ETSA's response has been pretty reasonable, I think, and it is a bit similar to when the power goes out on a farm. You ring up ETSA and complain about it and it sets about trying to repair it. If someone does not advise ETSA that the street light at the corner has gone out, it does not know. Clearly, it is not possible for ETSA to know which street lights out of thousands are out at any time. What it needs is advice and, when it is advised, its record of fixing it up within a reasonable space of time is pretty good. And it keeps pretty good records of this.

So, the first issue is really somehow encouraging people and councils, if people know these lights are out, to just ring ETSA and tell it, then we could measure whether or not ETSA's service meets the sorts of standards we would all like to see. That might mean that we should better publicise who people ought to ring. The councils, with one telephone call, could nominate the 10 street lights that are out (or whatever else it is) on behalf of their ratepayers and we could have them repaired pretty quickly. That is on the performance side of things.

The other issue the LGA has complained about is that it currently pays \$18 million in charges for street lighting and under a privatised industry it would be potentially subject to significant increases in costs. It is actually quite the reverse. At the moment, as Minister responsible for electricity, I can basically double or treble local councils' costs with the stroke of a pen, by issuing a direction to ETSA Utilities to say that we will make a bit more money out of this. I am advised that there is no restriction on the powers that I have under the current arrangements. Local councils will actually move from a situation where they are completely at the mercy of a Treasurer, in my case, or a Minister in terms of the prices that they pay, to a situation where in the future the Independent Regulator we talked about earlier will have responsibility for

setting a reasonable rate of return for the business in terms of street lighting.

Through the Independent Regulator they will actually have for the first time some measure of control over the price that can be charged. That is different from the current circumstances where, as we indicated early this year with the Rann power bill increase, through a direction to one of the businesses we can increase power prices or charges by 20 per cent overnight. It is not a question of coming to Parliament and voting on it or issuing a regulation, it is just a question of the power the Minister has to direct the particular business.

Equally, I could do the same thing in relation to street lighting. I think an important message to go back to local councils is that, contrary to the scare campaign the LGA has been trying to raise that shock, horror, they will be exposed to the chill winds of the private sector, under the arrangements of the regulatory framework the Government is establishing for the first time they will have some measure of independent control over the level of prices that are delivered. In terms of the codes, etc., that the Independent Regulator sets up, nothing would prevent the Independent Regulator from establishing certain standards for the performance of the new operators of the ETSA Utilities business in terms of repair of street lights, so that you have an indication that certain street lights ought to be generally repaired within so many days, or something along those lines, in the majority of cases. This is an issue that the LGA and local councils have been concerned about, and I think there is a very good story to tell in response to it and, in part, I have given that response.

**Mr LEWIS:** My question relates to the capacity, in the immediate future, of the new order of generators to meet the demand for electricity in South Australia. I make that point by way of explanation before I read a letter, with your indulgence, Sir, which will only take a minute, through which I believe demand will be likely to increase by about 500 megawatts. The letter is from Deutsche Bank, the second largest bank in the world. It is addressed to Premier John Olsen, and reads:

I am writing this letter at the behest of Australian Steel Corporation Pty Limited (ASC), to update you on the progress of the company in putting in place partners to provide financial and human resources to undertake the feasibility study including the detailed design and engineering, financial modelling and financial viability.

A number of major companies, both Australian and international, have entered into agreements with ASC to provide specific and general services pertaining to the delivery of the feasibility study. Deutsche Bank AG (DBAG) is one of those companies and has agreed to provide substantial resources for financial modelling, analysis of financial liability and advice on commercial arrangements associated with the project.

A detailed analysis—

and I want to emphasise this paragraph—

A detailed analysis of what is required for the professional feasibility study has been undertaken by DBAG. ASC has more than sufficient resources now available to it to commence this feasibility process once the final outcome on the land required for the ship lifts, steel breaking and steel plant is known. I trust that this update is of use to you and your Government in its considerations of this project.

The letter is signed by Nick Lattimore, Director, Head of Structured Finance in this part of Deutsche Bank's operations, which is the South-East Asian/West Pacific region of the world. By way of further explanation I simply say that this is a serious project and one from which South Australia could expect to gain thousands of jobs. In terms of capital investment it is at least as significant as Roxby Downs and

in terms of annual revenue streams it is, again, equally significant as Roxby Downs.

For that reason, I ask the Treasurer if he sees any difficulty in meeting the demands that such a business would have, were it to start, for the supply of electricity any time in the next couple of years. For an enterprise of this kind it will take, of course, at least a couple of years for the feasibility study and other arrangements to be concluded, and the other arrangements are significant. But in the event that it were to succeed, and I hope that it does, does the Treasurer believe that the State's generating capacity can meet that demand?

**The Hon. R.I. Lucas:** Did the member mention in his explanation how much power this proposal released?

**Mr LEWIS:** Five hundred megawatts.

**The Hon. R.I. Lucas:** Not from the word 'go' but eventually.

**Mr LEWIS:** From the word 'go' naturally it would start smaller than that, in the order of 130 megawatts.

**The Hon. R.I. Lucas:** Not knowing as much about this proposal as the member clearly does from his discussions with those involved with it, clearly as Treasurer, I am at a bit of a disadvantage as I do not have direct responsibility for the project. I can and obviously will speak about the electricity aspect of the question the member has properly directed to me. One thing I would say at the outset is that 500 megawatts is a hell of a lot of power.

*Mr Lewis interjecting:*

**The Hon. R.I. Lucas:** I understand that, but it is a hell of a lot of power. I am not sure whether the following is on the public record. I will not say exactly how much power is involved but, as a ballpark figure, it is almost five times the required capacity of even the massive expansion we have seen at Roxby Downs. That is the order of magnitude of the power suggested in this project. Those members who have seen Roxby Downs will know that it is an enormous project, and those who have seen the expansion will know that its power requirements are another quantum leap. Anything that involves about a ballpark figure of five times the lump of power that Roxby Downs is using is clearly a huge consumer of electricity in any State.

The detailed response will obviously have to wait until the Government has given some details of the proposal, and we can have our people look at the details of the power requirements and projections from the components and see whether or not we believe them to be accurate reflections of the amount of power and, again, over what sort of time frame. For example, if it starts off with 100 to 130 megawatts and builds up over a period to 500 megawatts, clearly that will be much easier for the State to handle. As long as there are reasonable time lines and projections, for those of us who believe in the operations of the market the bottom line will be that we will move to meet the capacity requirements. One should not look at what we have there and say, 'That's all that will ever be there.' If someone can demonstrate a viable proposal, whatever it might be, and if it requires 130 to start with and 500 over a period of years ahead and people are prepared to lock in contracts for it, people will build power plants in South Australia, even above those that we already have.

I will now talk in back of the envelope figures. Our greatest peak demand on any one day was achieved in the past year and it was 2 573 megawatts, which equates to a ballpark figure of 2 500 megawatts. Together with the interconnector, we have an install and an available capacity of about 3 000 megawatts. We have an extra 500 megawatts

at Pelican Point and 80 megawatts in God's own country in the South-East with Boral, and they are specific guaranteed proposals to proceed. In addition to that, we have two proposals, one the Government is supporting—TransEnergy for an interconnector from New South Wales to South Australia—and there is also the TransGrid interconnector. So we have two potential interconnectors, involving a ballpark figure of 200 to 250 megawatts.

*An honourable member interjecting:*

**The Hon. R.I. Lucas:** No, TransEnergy is an unregulated interconnector which is the one the Government is supporting. TransGrid is the regulated interconnector. In terms of capacity, they are about 200 to 250 megawatts. They are both under active consideration. Both of them cannot go ahead, but one of them obviously will. The member for MacKillop asked a question earlier. There has been some discussion—not as advanced in our current understanding—maybe for about another 100 megawatt upgrade of the Victorian interconnector, again we would hope as an unregulated asset. Western Mining and BHP have said that they are actively considering a 300 megawatt capacity plant at Whyalla, and I can provide no more detail than that.

Those proposals will involve 3 000 megawatts that exists and another 580 megawatts, which provides a ballpark figure of about 3 500 even if all of Playford does not continue for ever and a day. However, there are plans for that to continue. Then you have the next level, that is, the proposal for the interconnectors. Proposals are already in existence that would more than meet the horizon the honourable member talks about, even if it did turn out to be of 500 megawatts capacity. That is about as much as I can give the honourable member until the Government can see a firm proposal in terms of quantifying the energy demand. We cannot give a more detailed and specific response than that, other than to repeat that, if the proposal gets up and going, there will be people in the competitive market who will be prepared to build a new generating plant or interconnectors to meet the demand. If the demand is there, people will be prepared to spend money to meet that demand.

**Mr LEWIS:** Will any of those people need licences or can they just enter the generators' market?

**The Hon. R.I. Lucas:** All generators will need licences. However, in the competitive market, the Government is not in a position to stop them; for example, ultimately National Power could have built its power station at Pelican Point or, indeed, wherever it wanted to. The fact that the Government fast-tracked the development opportunity in the best site that we saw available being at Pelican Point was the reason it has gone in that location. In the national market, under competition policy, we cannot say, 'We don't want you to come into South Australia.' They will have to meet licence requirements from the independent regulator for those sorts of requirements but, if they meet those, they can all come in. However, they will not all come in, because people will not spend \$400 million on a 500 megawatt plant as National Power is, unless they think there is the demand there to take their product.

**Ms THOMPSON:** I want to follow up a matter from the Treasurer's response to the member for Hammond. According to the figures I took down, we now have about 3 000 megawatts generating capacity and the maximum requirement to date has been 2 573 megawatts. Did I get those figures correctly?

**The Hon. R.I. Lucas:** Yes, except the 3 000 is not just generation capacity; it is available capacity, including the interconnector, which is 500 megawatts from Victoria.

**Ms THOMPSON:** We are told that by the summer of 2000-1 we will be at risk of serious outages if we do not have the Pelican Point power station of 500 megawatts at least partially on stream by then. Where will the expected growth of 20 per cent come from?

**The Hon. R.I. Lucas:** We need a reserve margin of 250 megawatts. We have tried to have a reserve margin greater than that if we can, because if, for example, one of our big units has an outage and we lose 500 megawatts of capacity or thereabouts, we obviously need to have some sort of reserve margin so that we can still keep generating. On peak days, when everything is pumping out electricity at maximum capacity, you obviously need some sort of reserve capacity within the system. NEMMCO, the national regulatory authority, sets what it believes to be appropriate reserve margins and, with the sort of growth we are seeing (we are almost 2 600 and if you add 250 it is 2 850 so it is getting awfully close), and if we have an outage we are in the danger zone period where we may well have to have either phased brown-outs or black-outs during that summer. Growth has been enormous in terms of demand. We have peaking demand growth. The figures show that last year some 40 000 airconditioners, or something of that order, were purchased, whereas a couple of years ago it was only 20 000 or 25 000.

The growth in airconditioners is significantly growing electricity demand, in particular, in the hottest months of January and February. You cannot just look at the capacity if everything is operating at 100 per cent and there is no breakdown: you have to look at your demand and growth and what is a reasonable level of reserve capacity should one of your units drop out.

**Ms THOMPSON:** I understand all that. It still anticipates a growth of between 8 per cent and 10 per cent in electricity consumption in less than two years. While I would be overjoyed to know of some industrial establishment which would require that, it is hard to comprehend that domestic airconditioning units will require a growth of 8 per cent to 10 per cent in power. Given that Seeleys is my electorate, I am happy to see those units being installed, but every person in the southern suburbs would have a job if Seeleys were going to produce that many airconditioners. Can the Treasurer be a bit more specific about the extent to which that is really reflected by domestic airconditioners?

**The Hon. R.I. Lucas:** It is probably the biggest factor that is generating growth and demand at the moment. It is not just those 40 000 airconditioners that were purchased last summer. As I said, one or two summers prior to that it was about 20 000. That is how big the growth has been in terms of domestic airconditioners. Many people add another domestic airconditioner as they get more money, and people can end up with two or three, with one in the kids' room and one in the family room; they are poking out of windows everywhere. One must also bear in mind that we have seen evidence that in recent times, with increased disposable income, more families are prepared to leave on their airconditioners for longer periods.

*Ms Bedford interjecting:*

**The Hon. R.I. Lucas:** Some of them are gambling it and some are spending it on electricity. Obviously, there is enough money for a number of them to do both.

*Members interjecting:*

**The CHAIRMAN:** Order!

**The Hon. R.I. Lucas:** The fact is that some people in the past, because of the price of electricity or the tightness of their own finances, may have turned the airconditioner on only when they came home or turned it on only for certain periods because of the price, but there is certainly some evidence to indicate that they are leaving it on for longer periods. Speaking with some experience of teenage children who leave on airconditioners and heaters all night in their room, increasing numbers of airconditioners are being left on for longer periods.

In terms of the growth, if the figure is 8 per cent to 10 per cent (I have not done the calculation) over a two year period, it has not been out of that ball park in recent summers. I shall be happy to bring back some figures and put them on the record. On that basis we have seen figures of 4 per cent or 5 per cent a year. It is my recollection that we have seen recent summers where we have seen that growth and then some in some summer periods in terms of the peak jump in demand. That is the problem for a State like South Australia. We have the peakiest demand in February of all the States, because it jumps quite extraordinarily compared with average demand, which might be about 1 300 megawatts.

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

Mr K. Tohill, Chief Executive Officer, Electranet SA.

Mr R. Morgan, Chief Executive Officer, SA Generation Corp.

**The Hon. R.I. Lucas:** We are talking about a peak demand which is almost twice the average demand that we have in our market. Other States do not have that big disparity between average demand and the peak level of demand. We have to install capacity for that peak demand. There are other things we can do. People are talking about demand education and trying to get people to turn off their airconditioners and perhaps have timers rather than leaving them on all day while they have gone to work and at night time. Perhaps they could be turned on an hour or so before people get up in the morning. I am sure the Chairman, as the former Minister for the Environment, would be well aware of these sorts of arguments. From the electricity industry viewpoint, it makes good sense for us to talk about those sorts of ideas rather than having to install more and more capacity just for a few days in a particular year.

The reality at the moment is that, if we do not have it, if it is 40 degrees on the fourth day in February and airconditioners and lights go out, I know who will be blamed for it. It will be the Government and the Minister responsible in terms of not having enough installed capacity.

**Ms THOMPSON:** I invite everyone to come and sleep on the southern beaches.

*Members interjecting:*

**The CHAIRMAN:** Order!

**Ms THOMPSON:** My next question relates to another aspect of the lease of our electricity assets. It relates to the Leigh Creek coalfields. I am sure the Treasurer is aware that during a brief investigation by the Public Works Committee into the repair of the coal dumping bridge at Leigh Creek the committee was approached by many members of the public who had concerns about the general operations of Leigh Creek, and this essentially came down to two aspects, both of which are controversial and which require a lot more work to be clear, from my inquiries in any case, as to just what the situation is. Those two matters relate to health and safety and

the value of what some describe as the overburden and others as the oil shale reserve.

Given that these matters have been referred to a parliamentary committee which has not yet reported but which will have an impact on the value of the asset, my first question relates to how, in the unfortunate circumstance that some connection between various illnesses that were reported to the Public Works Committee in respect of the work at Leigh Creek is identified, how will current, past and future workers at Leigh Creek be protected in relation to compensation liabilities?

**The Hon. R.I. Lucas:** I have taken advice on the previous question. We will bring back figures but I am advised that some of the average growth figures that we have seen in terms of peak demand have been of the order of 4 per cent or so. In one period about two years ago we think the percentage was significantly higher than that. However, we will get the exact figure.

The member spoke about 8 per cent to 10 per cent growth over two years and, because of the factors that we talked about earlier, it is possible that we could see that sort of growth in peak demand for electricity. The honourable member also raised a question about the health issues at Leigh Creek, and I have with me three pages of detailed information on this subject, all of which have been put down by various Ministers for Health and a variety of others as a result of debates in the House of Assembly and various committees. On this occasion I will not read all those statements into the record, but a key conclusion of the first Job Fit report of 21 September 1998 was that the worker health monitoring program has shown no incidents of significant work-related health problems. A variety of other references have been collected over the years on this health issue.

The member raised the issue of legal liability and postulated a set of hypothetical circumstances where that would be an issue. That is part of the due diligence work that the Government is currently undertaking. One of the reasons why we need the very best, highly paid lawyers from around Australia to provide us with advice is to ensure that not just in this area but in all the areas relating to legal liability, as best we can, the Government's position is protected and the rights of individual employees are protected as well. It is a balancing act and it is one of the issues that we are currently taking advice on. I am not in a position at this Estimates Committee this evening to indicate the Government's concluded view as to how it will seek to resolve the issue.

**Ms THOMPSON:** My third question relates to a possible happy scenario, whereas the last one related to a very miserable scenario, and I refer to the value of the oil shale. I am aware that a report is held by Flinders Power, which has not been publicly released, which indicates that there is no value in what is described as the overburden, which is about 80 per cent of the matter at Leigh Creek. However, other reports indicate that there is a value, particularly as the ability to distil the fuel locked in the oil shale becomes available. My question relates to the way in which that matter will be clarified, if at all, before any lease takes place so that the true value of that asset can be taken into account in the lease.

**The Hon. R.I. Lucas:** This is a matter that, as members would be aware, the member for Hammond has pursued for some time in discussions with me and in his Public Works Committee role. The advice to the Government is not that Flinders Power does not consider that it has no value but that Flinders Power does not believe at this stage that it is

commercially viable to move to the production stage. That is different from the notion that there is no value to the asset. The position that Flinders Power put to me is that, having done its work, it does not believe that it is commercially viable at this stage.

In the last couple of weeks the member for Hammond has put a further point to me. As always, I listened intently to his argument, although I do not always agree with him, as has been apparent on a number of occasions, and we sometimes have vigorous differences of opinion. He has put a point to me, I have considered that and I am taking some further advice. I am not in a position this evening to indicate anything other than that the advice that my commercial agency has given me is that it does not believe that it is commercially viable.

In terms of valuing our assets, one of the issues that is important from the Government's viewpoint is that we have as much information as possible about all of the assets that we are about to lease. One of the points that I made to the member for Hammond was that, if he has a view, as he clearly does, that the Government in its various guises, be it ETSA, Optima or Flinders Power, has not seen the commercial value of this (I am not saying that I agree with that), the sort of people that we are talking about running our operations are commercially sharp. They are well used to operating in the commercial world and, if there is value in an asset, they will make some pretty hard decisions about exploiting that value.

It might be that new private operators will take a different view about the commercial viability of this resource. All I can say is that, at this stage, my commercial advice is that that is unlikely to be the case, and that commercial advice has come from Flinders Power, and Optima prior to that. We will further explore this issue as we look at the leasing of our assets. Flinders Power will be further down the track. The first lease contract is ETSA Utilities and ETSA Power, and we are unlikely to move into the final stages of leasing Flinders Power until the early part of next year. There is still some time to see whether we can throw any more light on this situation and, if we can, the Government will then make a further decision based on the advice that it receives.

**Mr WILLIAMS:** My question to the Minister is based on page 8.10 of Budget Paper 2 with regard to ETSA Utilities. ETSA Utilities has been responsible for power distribution, what is commonly known as the poles and wires business of the ETSA assets. In regional South Australia there are problems with the distribution network because, with economic development, many industries are demanding access to three phase power, whereas most of the network is based on providing mainly lighting and heating rather than energy to drive more than three horsepower electric motors. It is also based on the old single wire earth return network. When some of my constituents approach ETSA Utilities to be supplied with three phase power, they are told that they will be responsible for the cost of putting in that power.

Recently, in response to the South Australian Regional Development Task Force recommendation that the Government contribute \$15 million annually into a regional infrastructure development fund, the Government has agreed to put \$4.5 million over the next three or four years into such a fund. A constituent of mine has been told by ETSA Utilities that, in order to have access to enough power for his 10 year development proposals in my electorate, he will incur a cost of \$7 million. In contrast, the Government is talking about

investing \$4.5 million on an annual basis into a development fund for the whole State.

Under the national electricity market, with its regulated power distribution network, will it be easier on businesses that wish to operate in regional areas to become connected to the network? Will they still be required to find all this money up front to be connected or, because of the regulated nature of the new lines that have to be constructed and the fact that they will return a regulated profit to their owner, will that mean that the owner of the poles and wires network, when developing that infrastructure, will find that capital cost and obviate the need for individual investors in rural areas to find millions of dollars to connect to the network?

**The Hon. R.I. Lucas:** No, I will not sit here this evening and indicate that it will be easier for the member's constituents. I might like to, but I think that I might as well be frank in relation to the operations of the market. What we are seeing in terms of the operations of the national market is an endeavour to have customers who are seeking upgrade or who are connecting to the grid to pay, I suppose, most of the cost of the connection. There is obviously some rebate against it—I think that the first year's revenue that comes from the line is generally, under current policy, used as a rebate against the total cost of connection to the network.

I had received a number of complaints from people wanting to go ahead with various regional developments, and the concern was that the prices had increased under ETSA. I think it is true that, in recent years, there have been price increases, but they have been price increases which have reflected, or have removed, I suppose, the element of cross subsidy that used to exist. What used to happen was that the member, as a domestic consumer, or all of us as domestic consumers, paid higher tariffs to cross subsidise and to provide a cheaper cost of connection to the network for some of these big development opportunities in terms of connection to the network. So, there was a cross subsidy. It was not any cheaper to do it—it still cost someone—but the cost was being spread among the member's constituents and not the ones who were going ahead with their \$7 million development. The rest of the farmers and others within the member's constituency and elsewhere were having to pay higher costs to subsidise these connection costs. Part of the whole argument about national competition policy and the national market has been to try to say in a reasonable way what is the true cost of connection and how can that be met, in large part, by the individual developer as part of their particular development.

When I received a lot of these complaints I had a study undertaken. I said, 'Here are the half a dozen or dozen proposals that we have in South Australia and this is what ETSA is proposing to charge. You tell me, in a similar set of circumstances in Victoria and New South Wales, what would the authorities there charge.' The analysis that I received was that, in every case in Victoria, the cost of connection was higher and, in most cases in New South Wales, the cost of connection was higher than the ETSA recommended cost. That was evidence for me that it was not ETSA in South Australia ratcheting up the prices unreasonably compared to what would occur if those businesses were trying to develop interstate. I sat down with representatives of one business in the member for Hammond's area and they said to me that if they went to Victoria this would be much cheaper. We did the figures and found that it was actually an increased cost. When I then spoke with the proponents, they acknowledged that that

was, indeed, the case and they were also looking at some other areas.

The Government's response, therefore, has been, as the honourable member has indicated, that if we are to try to subsidise regional development—we are a Government that wants to see regional development—we ought to be up front and transparent about it. So, we have put it aside for forever and a day, not just for three years: locked into the forward estimates is this \$4.5 million a year as a development incentive for regional developments. Coming from Mount Gambier, I can remember the Labor Government days when it offered, I think, payroll tax and land tax concessions to Fletcher Jones to establish in Mount Gambier. The Government in the future will be able to look at the sort of incentives that it offers to various businesses, and it may well be that it subsidises in part, in a transparent way, the cost of connection to a network for a particular development.

Clearly, the Government, with \$4.5 million a year, will not be able to give the member's developer \$7 million. If it does, a lot of other people will miss out in other parts of rural South Australia. So, clearly, the member's developer (and I am sure that he or she is doing it already) will have to look at other ways of meeting their particular problem, or resolving their particular problem—whether that means a different location, or whether it is something else that they can do together with some subsidy from the Government if the Government decides that it is a project that is worthy of taxpayer-funded assistance. Again, it is for DIT to decide, but it may well be that it is the number of jobs it generates or the amount of value adding that it adds to a particular product range. They will be the sorts of issues, I suppose, when DIT looks at a range of potential projects for assistance or subsidy, and I would imagine that it would pick the ones that offer the greatest value or the greatest number of jobs in terms of development.

I am not in a position tonight to say that, come the full throttle of the national market, it will be any easier for the member's operators. However, I do not believe that it will be any harder than it is currently under ETSA. ETSA is a corporatised entity that has moved into the national market and is charging what it believes to be full tote odds under its current pricing policy for connections. Under the Regulator, we would see a very similar policy continuing with private sector operators.

**Mr WILLIAMS:** Might I tackle the same question a little differently, because I do not know that the Treasurer has grasped what I am trying to get at. I will give an example of a situation in which I am personally involved. Under the current arrangement, I have gone to ETSA in the South-East and I have said that I want a transformer put on a three phase power line that runs through my property. I have been given a quote: I have to buy the transformer and pay for the installation of the transformer. Then I can tap into it and draw power off a major high voltage three phase line. In doing so, it is my understanding that, once I have paid for that, the ownership of that transformer, even though I have paid for the full value of it—purchased it—is vested in ETSA Utilities. In taking over that ownership, it also takes over the future maintenance of that apparatus. My understanding is also that that will go onto the regulated value of its asset and it will derive a regulated income from that asset. If I was involved in paying, say, \$7 million (which is the example that I gave earlier), which involved building a power line, would that be vested in the new lessees of these assets, and how will

the Regulator assess who derives the income from that asset value?

**The Hon. R.I. Lucas:** I thank the member for the clarification of his question: I believe that we have a pretty clear answer. In the case that the member is talking about, if the cost of the project is \$7 million, there will always be a cost at the moment for ETSA Utilities, or for the new operator of ETSA Utilities. So, maybe that cost is \$3 million, and it might be a \$10 million project: the distributor says that it will pay \$3 million and the member's developer friend will pay \$7 million.

It is correct to say that the asset remains the property of the distributor, but the distributor does not get a regulated rate of return on the \$7 million private sector contribution. So, the honourable member's question was: someone else pays for the \$7 million, yet maybe the utility company gets a regulated rate of return from the regulator on the \$7 million. I am advised that that is not correct. They will get a regulated rate of return on whatever they have contributed in their asset base, which might be the \$3 million. So, if they put in \$3 million and the developers put in \$7 million, my advice is that they will get a regulated rate of return on their contribution, which is the \$3 million. They will not get a regulated rate of return on the developers' contribution of \$7 million. But the asset will belong to and have to be maintained by the utility company. Does that answer the member's question?

**Mr WILLIAMS:** To quite an extent. Further to that, it was put to me, indeed by one of your colleagues, that one of the benefits to regional South Australia, by moving to a privatised scenario—and this was before the lease idea really took off—was that because of the regulated return it would encourage some private owner to invest, because he was guaranteed say a 7 per cent return and he would be willing, if he could borrow money at 5 per cent, to go ahead and provide the whole of the upfront—

**The Hon. R.I. Lucas:** This is the operator of the business?

**Mr WILLIAMS:** Yes. I am talking about the lessee of what we now call ETSA Utilities, not the investor who wants to draw power off it. My original question was: will it be easier for investors, because the new lessees might be inclined to actually come up with the whole of the cost of providing the connection?

**The Hon. R.I. Lucas:** This is an extraordinarily complicated area in terms of the asset base and the decisions that the regulator will ultimately have to take. Having comprehensively answered the honourable member's last question, as he has indicated, at this stage the best I can indicate in relation to his supplementary question is that, if the distributor, the new operator of ETSA Utilities, and the particular developer can convince the regulator that it should be part of the asset base of the distribution company, in those circumstances there will be some greater encouragement for regional development.

To a degree that answer begs the question as to how you will be able to convince the regulator, and what criteria the regulator will set up, to ensure that he or she accepts it as part of the asset base and therefore earning a regulated rate of return. By and large we will set up the framework for that with some of the legislation, but in the end some of these decisions will obviously be taken by the independent regulator and we will have to see how he or she operates in relation to some of these detailed issues. I am afraid, after a long discussion with my small team of advisers, there is not

much more I can add to the honourable member's supplementary question.

**Mr FOLEY:** Treasurer, can I thank you for your indulgence in allowing me to depart to the other Committee briefly. I must say, Treasurer, just quickly as a preamble to my question, I can now understand why you are having troubles with Ministers and the management of their capital works budget. For your information, the Ethelton and Semaphore Park Primary Schools will be funded in this year's budget, and the money is coming from a new line, I understand, called slippage.

*Members interjecting:*

**The CHAIRMAN:** Order! Does the honourable member have a question of the Treasurer?

**Mr FOLEY:** Yes, I do, Sir. I just feel frustration for the Treasurer in trying to have his Ministers properly manage their budgets. Treasurer, I would like to come back to the matter of consultants. In relation to the success fee that will be paid to the consultants, can you please advise which consultants will be achieving a success fee, and what will that success fee be?

**The Hon. R.I. Lucas:** In part, I can refer the honourable member to the press statement, which he was reading, I understand, earlier today, where I indicated that only two of the consultancy groups will receive success fees; that will be the lead advisers, Morgan Stanley and Pacific Road, and our accounting advisers, KPMG.

**Mr FOLEY:** That is three.

**The Hon. R.I. Lucas:** Morgan Stanley and Pacific Road are a consortium; they bid together and get paid together. How they divide it up is up to them. It is one—

*Mr Foley interjecting:*

**The Hon. R.I. Lucas:** The Government will, as I indicated in the last Estimates and again in these Estimates, at the end of each year or at the end of the lease process publicly account for all the money, including the success fee that is payable. At this stage I am not prepared to indicate the details of the commercial contract that we have with Morgan Stanley, Pacific Road and KPMG.

**Mr FOLEY:** As a supplementary question, I do not think that response is satisfactory. The public deserves an answer about the success fee. I am advised that the Treasurer was recently heard on, I think, Radio 5AN, when he indicated a figure of 1 per cent as a possible success fee. That could be a sum of \$50 million to \$60 million. Other people have indicated a 2 per cent success fee, which ultimately would be in excess of \$100 million. I do not think it is an inappropriate question for the Opposition to place on the record to the Treasurer. One should indicate before a fee is paid on what basis that fee will be calculated. That is not something which should be too difficult to answer, I would not have thought, and something about which the public has a right to know.

**The Hon. R.I. Lucas:** It is not inappropriate for the Opposition to ask the question and it is not too difficult for me to answer. I am indicating that I am not prepared to answer. At the end of the lease process I will, as I have done today and as I did last year, publicly account for all the money that the Government pays to consultants. No-one can criticise the Government in relation to this particular process. We have been open. We have been accountable. Without the need for questioning, I have reported on all the costs that have been paid to our consultants over the past 12 months and then again prior to that.

At the conclusion of this process, I will publicly account for all the payments made to the consultants, including the



success fees that will be payable. I indicate to the honourable member that he has been misinformed by whomever in relation to my indicating that success fees might have been 1 per cent or 2 per cent. What I have said, and I have said again today, is that the total cost of our consultants, including success fees and various other costs, is estimated, I hasten to say, to be in the ballpark of approximately 1 per cent to 2 per cent of whatever the total lease proceeds might be. The percentage, of course, depends on what the total lease proceeds eventually turn out to be. I have certainly never indicated any figure for a success fee publicly and I do not intend to do so. I have certainly not indicated a success fee of 1 per cent or 2 per cent.

**Mr FOLEY:** The Treasurer makes much play of the fact that he has done the right and decent thing to table and to be open and accountable about the costs at the end of a given year. Well, Treasurer, you must. It is not as though you are doing the State a favour. You are required, as the processes of government dictate, to account for your expenditure at the end of a given year. It is not really a big gesture. In the past two years you have given an indication of what the forward estimates would be for consultants. Admittedly, last year, or the beginning of this year, you got it horribly wrong. What figure are you factoring into the forward estimates for consultants' fees for the next 12 months financial year?

**The Hon. R.I. Lucas:** It is a good try from the member for Hart but I am not indicating what we are predicting or estimating for the next 12 months in relation to consultants' fees. We will publicly account and report at the end of each year or at the end of the process, whichever comes first, the total costs, including success fees of all our consultants.

**Mr FOLEY:** I would like now to raise the issue of the dividends and profit for ETSA Corporation. The forward estimates indicate an increase in expected company tax equivalents but a decrease in dividends.

**The Hon. R.I. Lucas:** What page?

**Mr FOLEY:** I thought you would ask me that. It appears in Budget Paper No. 2, which refers to return from utilities. Your officers should find it quicker than I and perhaps when they do they can tell me. Treasurer, you are forecasting a dividend reduction from ETSA whilst forecasting an increase in company tax equivalents. I am missing something in all that. Unless there is a flow through of the ETSA tax, which you budgeted into profit, I would like an explanation as to how the profitability of an organisation could increase but the dividend to Government decreases. Does that mean that significantly more is kept in respect of retained earnings or are these figures perhaps not as correct as they should be.

**The Hon. R.I. Lucas:** The honourable member will have to clarify what tables he is looking at. Certainly the dividend is projected to decrease from—

**Mr FOLEY:** Table 8.1 indicates an ETSA dividend for 1998-99 of \$100 million, and in 1999-2000, the dividend is \$167.4 million. I assume that \$100 million of that figure is your Olsen-ETSA tax flowing through in dividend. However, if one comes across to 'estimated income tax equivalents' one can see that in 1998-99 it was \$52.7 million and in 1999-2000 the income tax equivalent is \$68.7 million. Income tax equivalent, I assume, is based obviously on profitability of the organisation. My question is: how can the business be more profitable next year but pay a significantly reduced dividend? Are you retaining earnings at a higher level or am I not understanding the fundamentals of business? I thought that, strangely enough, when you made more profit you probably made a greater dividend. Perhaps ETSA runs

differently to most other businesses, or perhaps you wanted it to look like it was a reduced dividend. If one looks at table 8.1 and at the combination of both the dividend and the estimated income tax equivalent for 1998-99, you have a sum of around \$155 million. The equivalent sum for 1999-2000 is \$235 million, so we are talking in terms of an approximate \$80 million increase flowing through in both dividends and income tax equivalents.

*Mr Foley interjecting:*

**The Hon. R.I. Lucas:** It is \$80 million. You have a \$100 million Rann power bill increase that is feeding through ETSA Corporation. In those figures you can see about \$80 million of it, and that is because there is a lag in tax payment in terms of the tax payments from year to year not perfectly corresponding. The years when the tax payments are made do not perfectly correspond with the particular years in which they are incurred, so there is a lag effect there. Some ETSA power losses have also been factored in for that year.

One of the other members referred to the particular section in the budget papers that refers to ETSA Power's projection range for 1999-2000, and we have indicated publicly that we have factored in a loss of \$30 million, which was somewhere less than the midpoint of that range. The range was from a profit of \$2 million to a loss of just over \$70 million. The budget papers incorporate it as being a little less than half way, a loss of about \$30 million dollars, which also has to be factored into these figures.

**Mr FOLEY:** The sense of rubbery figures is settling on me. The Olsen power bill is \$100 million, not \$80 million: the Treasurer said \$80 million. If we take \$100 million off the dividend of \$167.4 million, that leaves us with a dividend of \$67.4 million. That is a 30 per cent reduction on the previous year at a time when ETSA is returning a quite significant 18 per cent profit increase. I find the Treasurer's explanation odd: it just does not make sense.

**The Hon. R.I. Lucas:** I find the honourable member's questions odd, too. It is very hard to understand what he is trying to say. I will provide a full, more comprehensive response in writing for the benefit of the member. I will give a broad overview of the detail that will come. One of the problems with the member's conceptual understanding of table 8.1—and we have just worked our way through the question we think he was asking—is that, if we are talking about a ballpark Rann power Bill increase of \$100 million or so, out of that comes the ballpark income tax equivalent of 36 per cent. So, in ballpark terms, a third of that is an income tax equivalent and the \$65 million—or whatever that number might be—is ballpark extra dividend. When one looks at 1998-99, \$103 million, and 1999-2000 at \$167 million, one sees that it is broadly consistent with about a \$65 million or \$64 million increase. The member was taking \$100 million off \$167 million and saying, 'You got your power bill increase; therefore, your dividend in 1998-99 equivalent would be only \$67 million.' That is one of the issues that is causing some difficulties in his understanding of this table.

So, there is broadly the \$64 million or \$65 million increased dividend from the Rann power Bill increase. I am told that the extra \$36 million—and I will have to get more detail on this (and it was the issue I referred to earlier)—is not actually all paid in income tax in 1999-2000. There is a lag impact. A good percentage of the \$36 million is not paid across until the year 2000-1. The officer from Treasury who is the expert in the tax equivalent regime is not here at present, but a good percentage of that extra \$35 million or

\$36 million is paid in 2000-1, so we would see that brought to account in 2000-1 rather than 1999-2000.

I am told the other issue that serves to complicate this further in terms of the income tax equivalent increase which is shown there from 1998-99 to 1999-2000 of \$16 million is that in the Victorian Supreme Court there has been a one-off impact decision which has an impact, having used that court decision as a precedent, of about an extra \$5 million to \$6 million in sales tax. I am advised that, whilst this headline says 'estimated income tax equivalent', it does include wholesale sales tax equivalent as well. So, in the 1999-2000 figure, you will see a ballpark sum of about \$5 million to \$6 million extra, not as a result of any judgment about profitability and the income tax to be payable but as a result of the Victorian Supreme Court decision worth about \$5 million to \$6 million.

I also make the point that the Government also provisioned, as we have indicated in a number of other areas, for a ballpark loss of about \$30 million on ETSA Power. ETSA Power is brought to account within this line of ETSA Corporation. The way the Government has done that in terms of the dividends is that for 1999-2000 it has set a higher dividend rate, which is contrary to where the member was trying to head, for ETSA utilities in 1999-2000 than in 1998-99. I refer the honourable member to page 8.10 where we have highlighted this, as follows:

ETSA Utilities is expected to pay a distribution dividend and income tax equivalents of \$94.5 million in 1998-99, dividends set at around 80 per cent of net profit after tax, and \$135.5 million in 1999-2000, dividend set at 100 per cent net profit after tax.

These figures show that in 1999-2000 the Government is taking 100 per cent of net profit after tax out of the ETSA utilities as a dividend, whereas in 1998-99 we took only 80 per cent of net profit after tax out of ETSA utilities as a dividend.

The dividend as a percentage of net profit after tax is higher next year. As I said, in part that is because ETSA Corporation includes ETSA Utilities and ETSA Power as well. I will take further advice on this issue and, if there is anything further that I can usefully add to the reply, I will put it in the written responses to questions. Indeed, if there is anything in terms of the exact numbers that I need to correct or clarify, I will do that for the benefit of the member for Hart and other members of the Estimates Committee.

**Mr FOLEY:** I will look forward with interest to your detailed written response. If the Treasurer checks the *Hansard* at the beginning of my question, he will find that I asked whether the \$100 million of the Olsen power bill increase was paid through dividends or through the income tax equivalent. I asked you to clarify that at the outset. Notwithstanding that, I still find your answer a little difficult to follow. On page 6.14, on a couple of occasions, it states:

Income distributions from public trading enterprises will increase.

It goes on to say:

Projected dividend streams from the electricity entities have been revised down taking into account the power bill increase.

In that passage it talks about the Olsen power bill increase coming through dividends, or at least that is the way I read it. I asked from the outset whether the Olsen power bill came straight through dividends or profitability. I look forward to your detailed answer because I am still unsure what you are doing. It still looks a tad rubbery to me, but I may be wrong.

**The Hon. R.I. Lucas:** It is a tad hypothetical at this stage. We do not have the Rann power bill increase and it will not

be impacting on our dividend flows and other issues. The world has moved on since the budget documents were produced.

**Mr FOLEY:** I appreciate that, but the integrity of the printed word in the budget papers is a principle that must be upheld.

**The Hon. R.I. Lucas:** It is.

**Mr FOLEY:** We will wait and see. I now move to issues relating to power stations, such as Pelican Point, etc. You would be aware that the deputy head of the ACCC, Mr Asher, recently made a statement as reported in the *Australian* a few days ago. The report states:

Asher nominates the recent South Australian push to build a \$400 million power station on the outskirts of Adelaide—

not quite the outskirts—

despite a surplus of power across the border in New South Wales as just one example of the continuing misallocation in the energy market.

The article goes on to say:

The New South Wales and South Australian Governments have been talking for the past year or so about links between their grids, but Asher is sceptical, given the push to get a new power station built even if the private sector is involved.

The report goes on:

Remember that New South Wales has a surplus and South Australia a deficit of power.

He says that they could have been able to acquire large amounts of it at a very good price. I spoke to Mr Asher following that article to understand his concerns, and he made it very clear to me that he found your Government's decision to be building further generation capacity a strange one and, from his point of view as deputy head of the ACCC, he felt that the interconnector was the way to go.

Can the Minister give a categorical assurance that the Government's decision to build a new power station will result in lower power prices for manufacturing, industry and residential users in South Australia than is currently the case and would have been the case if an interconnector with New South Wales had been built? We can work out what the pool price is in New South Wales. Will you give a guarantee that the Pelican Point power station will drive our prices to a position where they are competitive with what is on offer on the eastern seaboard?

**The Hon. R.I. Lucas:** The Government will guarantee that we will have a more competitive price structure in South Australia than would otherwise have been the case without the construction of the Pelican Point power station. I am not going to sit here this evening and guarantee the operations of the national market. It is not possible for any individual, even someone as omnipotent as the shadow Treasurer in South Australia, to guarantee the operations of the national market and the competitive market. The Government wants to see a more competitive electricity market in South Australia. Much of what the Government has sought to do in the past 12 months has been consciously geared towards the construction of a competitive market in South Australia. One of the big problems that South Australia has, as opposed to New South Wales and Victoria at the moment, is that we have a very tight supply and demand balance about which we talked earlier this evening.

Our capacity and our supply are close whereas, in New South Wales and Victoria, there is significant excess capacity—I might say also built at great expense and cost to taxpayers in those States. We have sought to increase

capacity in South Australia, and the Government is relaxed about whether or not that increased capacity comes from generation and/or transmission. We do not have a fixed view that it should only be generation, as I indicated in response to the earlier questions. We are supportive of the notion of an interconnector with New South Wales and we will be delighted to assure Mr Asher and the ACCC, as we have indicated in the past but will do so in greater detail, of the Government's commitment to see an unregulated interconnector linking New South Wales with South Australia.

Indeed, in the Transenergie proposal, the company which is building an unregulated connector between New South Wales and Queensland, we have under active consideration an interconnector between New South Wales and South Australia. We will also be delighted to explain to Mr Asher that the only way the Government could guarantee additional capacity by the end of next year is through the fast tracking of this power station at the magnificent site down at Pelican Point.

As I indicated earlier, the claims that have been made by the proponents of Riverlink from TransGrid have already been demonstrated to be incorrect by a very significant margin. I indicated in response to an earlier question that the proponents indicated that they could have Riverlink built by the end of this year, within a 12 month time span. They indicated that they would be out of the NEMMCO processes in about February or March this year, but I have been advised that they are unlikely to emerge from those processes until about October at the earliest.

We will be very pleased to have some discussions with the ACCC and Mr Asher. I am advised that officers of the Electricity Reform and Sales Unit have had a discussion with Mr Asher. He indicated that some aspects of what he said had been taken out of context, so it was a little different from the telephone conversation recounted by Mr Foley. I have not had a conversation with him directly, so I am at a disadvantage compared with Mr Foley and one of my advisers. We will be taking up this issue with Mr Asher and the ACCC and we are confident that we can demonstrate that, with Pelican Point and with the additional capacity, whether through an interconnector or further generation, South Australia will have a competitive electricity market and more competitive prices compared with what they might otherwise have been if we had not taken this action.

**Mr FOLEY:** That is an extraordinarily long non-answer. I believe it was Geoff who made the call to Mr Asher. I had a long talk to Mr Asher—

**The Hon. R.I. Lucas:** Geoff who?

**Mr FOLEY:** Anderson.

*The Hon. R.I. Lucas interjecting:*

**Mr FOLEY:** The Minister says it was not Mr Anderson. I explained to Mr Asher that, so far as the Labor Party is concerned, whatever role it may play in the future, now that the ownership of the electricity businesses has been decided by Parliament, the single largest issue confronting South Australia is the price of electricity. South Australia cannot afford its industry to be at a competitive disadvantage to the eastern seaboard. We will make it clear to anyone investing in South Australia that we see electricity pricing as the most fundamental of all issues facing our State.

I believe that the Government has a problem because, although it can lightly dismiss Nick Xenophon, me and local critics, it is difficult to lightly dismiss the deputy head of the ACCC on these issues. I do not accept as plausible the Treasurer's argument that we had to get this power station up

by the end of next year. The Government has got itself into that position. I do not disregard the need for extra generation by the end of next year but, as John Olsen said in Parliament in 1994 or 1995, ETSA knew of the demand requirements for the year 2000. The Government has known for five to six years that South Australia would need extra capacity by that time.

The Premier was an advocate for Riverlink and much could have been done had the Government advanced those issues earlier in the piece. The point I come back to is that the Treasurer is unable to give me an assurance that our price of electricity in this State will be competitive with that of the eastern seaboard. The Minister is simply saying that it will be more competitive than it is now.

*The Hon. R.I. Lucas interjecting:*

**Mr FOLEY:** I am not in Government and I do not have all the facts and figures. What I do know is that the Government has given Pelican Point a 20 month retail contract. What is the price point at which that 20 month contract has been given to National Power? Consumers deserve that answer.

**The Hon. R.I. Lucas:** The shadow Treasurer is obviously a supporter of the Riverlink proposal, as he has indicated by his questioning and his opposition to Pelican Point. However, it is interesting that he is unable to give a guarantee that, under his proposal, the price in South Australia will be competitive with that in New South Wales.

*Mr Foley interjecting:*

**The Hon. R.I. Lucas:** That is exactly the point that I have indicated. Even the shadow Treasurer is not in a position to give a guarantee about electricity prices in the future under the national market. People can make their best judgments and assessments, but the shadow Treasurer's question to me was to guarantee. I will not guarantee and, as I said earlier, no individual is in a position to guarantee the operations of the national electricity market. Anyone who even asks the question is so naive in terms of his concept and understanding of the national market as to be laughable.

*Mr Foley interjecting:*

**The Hon. R.I. Lucas:** No, to be laughable.

*Mr Foley interjecting:*

**The CHAIRMAN:** Order!

**The Hon. R.I. Lucas:** I am answering the question. As I said, the member is in a position where he knows that it is impossible. And he himself is not prepared to guarantee that, under his policy framework (that he obviously supports) the price of electricity in the South Australian market will be the same as in the Eastern States. There is a variety of views. I think most views are that, over the medium to long term, we will see a narrowing of the price differential that has existed between the Eastern States and South Australia. But again, no-one can guarantee that, and I can only repeat that it is a naive question to even ask if someone can guarantee that the price level in the South Australian market X years down the track will be at a particular level compared to the price in some other State such as New South Wales.

**Mr FOLEY:** The Treasurer really is distorting the question. Let me rephrase it. I cannot guarantee anything. Is the Treasurer confident that the structure he is putting in place will be the optimum structure to achieve the most competitive outcome one could hope for in the national electricity market and, in particular, in respect of how we would compete with the interstate markets? Is the Treasurer confident that he has put in place the best structure? I do not know, and I will be doing my research, as I have been doing—and, as the Treasurer would recall, it is very difficult to do that from the

Opposition side. And it is not just me: the ACCC is saying as much. It does not believe that the Treasurer is getting the right structure for competition. Is the Treasurer confident—and let us put the word ‘guarantee’ aside—that he has that?

**The Hon. R.I. Lucas:** That is a more sensible question from the shadow Treasurer, and I am pleased to respond to it. On all the advice that the Government has received over the last 12 months, it is confident with respect to the sort of structure that it is setting in place—and it is not just the existing structure; it is what I have indicated in response to a number of the other questions. The Government would like to see an unregulated interconnector linking New South Wales with South Australia. We are relaxed about an augmentation, or an addition to the capacity of the Victorian interconnector. We are delighted to see Boral putting in peaking capacity in the South-East, and we would be very relaxed about Western Mining and BHP putting in a new plant at Whyalla. So, from the Government’s viewpoint, the sort of structure about which we are talking is to try to increase capacity, both generation and transmission. The Government’s advice is that it does not accept the view that all the extra capacity in South Australia should come via interconnects with New South Wales. We do support the notion that some of this power ought to be generated here in South Australia.

Just look at the simple maths of where we are at the moment. We rely on about 35 per cent to 40 per cent of our power, in some periods, coming across the interconnector from Victoria. This State ought to have, as an important element of its total supply, generation capacity run by South Australians here in South Australia, with South Australians being employed in terms of generation plant. If there are some people—

**Mr FOLEY:** Why?

**The Hon. R.I. Lucas:** The honourable member asks ‘Why?’

*Mr Foley interjecting:*

**The CHAIRMAN:** Order!

**The Hon. R.I. Lucas:** I think that is an extraordinary response from the shadow Treasurer to ask why we would want South Australians to have jobs in South Australian plants here in South Australia, as opposed to New South Wales people being employed in New South Wales plants and transmitting electricity across the interconnectors. I think that that is an extraordinary response from a shadow Treasurer in terms of jobs in South Australian industry. The Government is saying that it believes that there should be an appropriate mix: there should be a mix of generation in South Australia and transmission from across the borders. The Government does not accept the view that we should have no extra generation options in South Australia and that we should just rely on interconnection with New South Wales or with the Eastern States markets.

We are very happy to encourage, as I have indicated on half a dozen occasions today and this evening, an unregulated interconnector from New South Wales to South Australia. We are happy to see augmentation of Victorian interconnect, but the Government’s view is that we want to see an appropriate mix of both generation and transmission and we want to see extra capacity and extra supply to meet the demand here in South Australia. All the advice that I have had as Minister, and the Government has accepted that advice, is that that sort of structure of our market in the medium to long term is the most competitive sort of structure that we can have here in South Australia.

**Mr FOLEY:** I see you attempt this trick often in the Upper House, Treasurer, where you seize on a comment by the Opposition and distort it. What is important for this State is long-term viability of our manufacturing industry. That is where jobs will be created in the long run. If you are saying that it is worth risking the optimum outcome of a market structure so that we can have a power station employing 35 South Australians, whilst our manufacturing industry is put at risk because it does not have the cheapest power, I would find that logic somewhat bizarre coming from a Treasurer in office. So, we can look at what is bizarre from either direction.

In relation to extra capacity in South Australia, and putting aside the debate about the site, I am not convinced that building a brand-new power station is the right policy mix. I might be wrong. What I am saying is that I am not yet convinced, particularly given now the ability for the private sector to acquire Northern Power Station and Torrens Island. Given the ability of a new owner or operator/owner of Torrens to be able to significantly upgrade that plant, I would have thought that a policy mix with a regulator coming in from New South Wales, together with upgraded facilities here, would have been a better mix.

Let us move on to Torrens Island. Treasurer, what are your expectations with Torrens in terms of a lease process? Do you expect a person or company to purchase the lease, acquire the lease and substantially upgrade Torrens to make it a combined cycle, to bring on the next stage of re-engineering of that station? What is going to happen with Torrens in all of this?

**The Hon. R.I. Lucas:** Responding to the earlier aspects of the honourable member’s comments, I am pleased that the shadow Treasurer has admitted that he might be wrong in relation to this particular issue. Can I certainly indicate, as I have indicated on a couple of occasions, that the Government is driven by a desire to see a competitive price structure for electricity here in South Australia, and nothing that I have said could in any way be reasonably interpreted as saying that jobs for power industry workers, important though they might be, would take precedence over the importance of a competitive electricity business industry and a competitive pricing structure here in South Australia for electricity.

In relation to the member’s actual question, rather than his comment, on Torrens Island, ultimately these will be commercial judgments for new commercial operators of Torrens Island. One of their options may well be that they do find the money to repower, and, as I have indicated before, for some time we have had before the Government various proposals for the repowering of Torrens Island, varying estimates, ballpark in the order of \$150 million or \$180 million, in terms of repowering. Ultimately, that will be a commercial decision for the new operators of Torrens Island.

There is no doubting that with the introduction of the impact of Pelican Point Power Station, because it is combined cycle, it is potentially going to have some impact on the viability of the Optima company, which runs the Torrens Island Power Station, and anyone who takes over the lease of that particular station will clearly need to make a judgment as to how they are going to respond. Are they going to target Torrens Island into a different part of the market or are they going to spend a considerable sum of money in terms of repowering or an upgrade in some way? I am obviously not in a position to pre-empt what that commercial decision might be.

**Mr FOLEY:** You could always allow National Power to negotiate the purchase of the lease of Torrens Island and it could upgrade and kill two birds with one stone. You could have a 'you beaut' power station and resolve the Pelican Point problem. It might just give encouragement to an unregulated interconnector with New South Wales and we might get the best policy mix available. It is just a thought.

**The Hon. R.I. Lucas:** Not a serious one, obviously.

**Mr FOLEY:** No, as I said, it has probably gone a bit too far down the track, but in a perfect world—

*The Hon. R.I. Lucas interjecting:*

**Mr FOLEY:** No, a fully upgraded and state-of-the-art power station replacing Optima at Torrens Island, as I said, mixed with the interconnector might have been a better policy outcome. However, as you say, that is a bit flippant. I am intrigued as to what future Torrens Island will play given the problems it has had. I understand that, over Christmas, it was having great difficulty. It was having to burn a lot of oil and there are issues about the gas supply. Can the Treasurer give an assurance that sufficient gas supply is available to fully meet the demand of Pelican Point together with a fully upgraded repowered Torrens Island?

**The Hon. R.I. Lucas:** A considerable amount of work is being conducted into the issue of gas supply by the Government at the moment. One point I can make is that every unit of power generated by National Power, because it is a more efficient plant, will clearly mean that a smaller amount of gas will be used. If, for example (and it is not always a direct replacement), a quantum power currently being produced by Torrens Island uses a certain amount of gas, and that same quantum of power is replaced by Pelican Point, or National Power, they will have to use significantly less gas in terms of generating the same amount of power.

In terms of the calculation of our gas supply and availability, I know the Australian Democrats and, indeed, some other commentators, have sort of automatically lumped in National Power to possible gas demand with the existing Torrens Island gas demand and come to their own conclusions. It is not as simple as that. It is much more complicated. As I said, through the example I have given, National Power will be a much more efficient user of gas than the existing Torrens Island.

Nevertheless, it is an important question, I acknowledge that. A lot of work has been conducted by the Government in relation to the quantities of gas that will be available. There are huge issues in relation to gas, not just in South Australia but all through the East Coast. As the honourable member would probably be aware, there are various proposals about bringing gas down from Papua New Guinea into Queensland. A proposal is already under way to move gas from Victoria to New South Wales. There is a very large interconnection linking the Bass Strait gas fields through to Sydney. That proposal is already under way; it is not in contemplation. So, some enormous investment decisions are being taken in the Eastern States at the moment in relation to gas. That is important in terms of South Australia because, of course, some of our gas currently goes to Sydney.

As the honourable member knows from previous decisions that have been taken by a variety of previous Governments, gas from South Australia heads both south and east. Of course, if more gas can be supplied to the Eastern States from either Bass Strait or Papua New Guinea, for example, that opens up other options in relation to gas supplies. One then moves to the question of the capacity of gas coming down the pipeline. Some investment decisions have already been taken

to increase the gas pipeline capacity, I think, by some 40 terajoules daily. There are some other proposals in which a number of parties are talking about the possibility of the storage of gas. We are really generally talking about peak days. There are a number of proposals in relation to storage of gas but, at this stage, they are no more than ideas. There is a lot of work going on. It is an important issue, and in terms of the future structure of our electricity industry it is something that will need to be resolved in the not too distant future.

**Mr FOLEY:** I am glad that the Government has done a fair amount of work. It is a pity that the Treasurer could not share a bit of the conclusions with us. Is the Treasurer able to say that a purchaser of the lease of Torrens Island will not be at a competitive disadvantage to the National Power plant and that it will have equal competitive availability of gas as National Power will, or does National Power have a first right or first options on the gas?

**The Hon. R.I. Lucas:** Ultimately, after the current range of contracts expire in approximately 2004, it will be commercial decisions and negotiations between not only National Power and whoever has taken on Optima but, indeed, anyone else who wants gas in South Australia, with the gas producers. That is an important decision and will be an important negotiation. To put the honourable member's mind at rest, there is nothing in the Government's arrangements with National Power, once we get to the stage of a negotiation, that gives National Power any inbuilt advantage when compared to the new lease operators of Torrens Island. That is the nature of my advice.

**Mr FOLEY:** I move on to the ship breaking facility for Pelican Point. I am becoming more and more concerned about the likelihood of that occurring. I note how the Treasurer's Liberal colleague, the member for Hammond, Presiding Member of the Public Works Committee, tonight indicated that Deutsche Bank has written to the Government saying that money is available for a pre-feasibility study for this project. The Treasurer's adviser Ms Kennedy before the Public Works Committee last week said, and I can only concur, that it is a ridiculous project that should not go ahead. She also said:

There is a point which the Treasurer has asked me to make. If you allow me to do so, the Treasurer has asked that I place on the record of this committee that all my views in relation to media statements and all statements made by me on the subject of Pelican Point or the transmission line are made as his representative. They are his views. They reflect his views and therefore the views of the Government.

So, we have Ms Kennedy saying that the Treasurer's views are that the project is silly. I can but concur. Unfortunately, the Premier does not think it ridiculous. He is signing off letters at a million miles an hour encouraging this company. Where do we go from here? Who will take some leadership on this project in Government and knock it on the head once and for all?

**The Hon. R.I. Lucas:** I am not sure which particular budget line this is coming under, but I am happy to respond.

**Mr FOLEY:** Pelican Point Power Station.

**The Hon. R.I. Lucas:** The member is talking about ship breaking, not Pelican Point Power Station. I want quickly to respond to at least part of the question, because the honourable member and some other members of the Labor Party have misrepresented the evidence of Alex Kennedy. I understand that the Presiding Member of the Public Works Committee had some concerns about an interview that Alex Kennedy had given on around 5 May on the ABC, when she

participated in an interview with the Presiding Member about the operations of the Public Works Committee and the attempt by officers of the Electricity Reform and Sales Unit to give evidence to that committee.

I looked at the transcript of that interview and indicated to Alex Kennedy that I wanted her to relay to the Presiding Member and to the committee when she gave evidence that I had looked at the transcript of her interview and it was entirely in accord with my own views, which I had expressed privately to the Presiding Member on a number of occasions, in relation to our frustration at not being able to get to the Public Works Committee. Nothing in my discussion with Alex Kennedy had anything to do with the ship breaking proposal.

Indeed, if the member looks at the transcript of evidence, he will see that Alex Kennedy was asked, 'What is your view of the ship breaking proposal?' not 'What is the Government's view of the ship breaking proposal?' In her forthright and frank manner for which she is renowned, she gave her personal view. She did not purport to give the Government's or the Treasurer's view. She gave a response to the question the Presiding Member put to her, namely, 'What is your view, Ms Kennedy, in relation to this?' and she gave her response. It is a huge leap—an improper and incorrect one—for the member to indicate that Alex Kennedy was putting the Government's or the Treasurer's view on ship breaking.

I have indicated publicly that my view is that I have not yet seen anything in detail from the ship breakers to help me make a judgment. Certain significant issues would have to be resolved before the proposal would be able to proceed. Significant environmental issues—amongst others—would have to be resolved. Nevertheless, a number of significant proponents, one of whom has been quoted in a letter this evening, have indicated they believe this is a major project in which they are contemplating investing and which might hold significant employment prospects for South Australians. The Government, in a fair and reasonable way, is just saying, 'We'll let you put your case to the Government.' It is pre-emptory at this stage, before we see the proposal, for the Government to have a view one way or the other. I have some personal views, and I will express those in the appropriate Government forums. I have not yet done so publicly, and I do not intend to do so this evening.

**Mr FOLEY:** If the view is that Ms Kennedy's comments were not those of the Government, I take that at full value. The point I want to make is that Alex Kennedy is absolutely correct. I would hope—and maybe I am right; maybe I can read between the lines—that the Treasurer has felt and can see the degree with which the local community is concerned about the power station. I would hope that the Government would then see that enough is enough, and the community reaction that would follow a decision to build a filthy ship breaking industry would be even greater. Enough is enough when it comes to that part of Adelaide, and I hope that the Treasurer would take on board those views very strongly. This is really getting a bit close to the edge. The Premier indicated last night that these pre-feasibility studies could take at least two years. Just on the odd chance that we might win the next election, I signal to the ship breakers that a Labor Government would not approve this project for that site, so they had best bear that in mind.

*The Hon. R.I. Lucas interjecting:*

**Mr FOLEY:** No we haven't but I'll win it.

**The Hon. R.I. Lucas:** A few of your colleagues are actually supporting it.

**Mr FOLEY:** No, I don't think so, not at all—none that I have spoken to. One or two have had some interest, but I doubt that any of my colleagues would be particularly keen to see that occur down there.

**The Hon. R.I. Lucas:** I advise the member that one or two of his colleagues whose names are probably known to him have already had discussions with the proponents of this project and have indicated their support for it.

**Mr FOLEY:** That's two.

**The Hon. R.I. Lucas:** How many did you say?

**Mr FOLEY:** That's two.

**The Hon. R.I. Lucas:** So you're aware of them?

**The CHAIRMAN:** Order!

**Mr FOLEY:** That's out of a caucus of 27.

**The Hon. R.I. Lucas:** You can speak on behalf of the caucus about a caucus decision?

**Mr FOLEY:** What I can do as a shadow Treasurer is indicate a view that I have that a Labor Government would not—

**The Hon. R.I. Lucas:** You said the Government would not allow—

**The CHAIRMAN:** Order! There is nothing about caucus in the budget papers.

**The Hon. R.I. Lucas:** There's nothing about ship breaking, either.

**Mr FOLEY:** The Leader of the Opposition has been out there saying that we won't support it, so I'm prepared to back the Leader on this one.

**The Hon. R.I. Lucas:** That's the current one!

**The CHAIRMAN:** Order! We will need to put this line to a vote in five minutes.

**Mr FOLEY:** What is the current status of the Western Mining contract with ETSA Retail and has the lease deal had any effect on WMC's decision to take up its retail contract with Yallourn Energy?

**The Hon. R.I. Lucas:** I do not think we could say that the lease deal itself had a significant impact, but there are ongoing discussions with Western Mining in relation to its need for power, the price it might pay and any possible impact that there might be on the indenture. I have to say, having had a discussion in the past 48 hours with my team of hardworking advisers, that we have still not yet reached a conclusion with Western Mining on the issues at which the member has hinted and on which I suspect he will want to pursue further questions.

**Mr FOLEY:** Given that the Roxby Downs Indenture Act was amended in 1996 to take into account the new national electricity market, will further amendments need to be made to the Act and, if so, when will the amendments be introduced into Parliament and what will they allow WMC to do?

**The Hon. R.I. Lucas:** This is one of the issues that the Government is still considering. It is fair to say that there has been public speculation on this, and that it is still an option that it might require some change to the indenture. There has been public speculation. I think the Leader of the Opposition wrote the Chairman of Western Mining and has had some response from him. It is an issue that is being discussed with Western Mining. At this stage we have not reached a resolution.

**Mr FOLEY:** Did ETSA put in a fully commercial bid for the retail business with Western Mining Corporation for the Roxby Downs power supply and to what extent were officials of the Government, including ERSU, any Ministers or indeed the Premier involved in that bid?

**The Hon. R.I. Lucas:** There is a comprehensive letter that I have either just signed or am about to sign that is going back to the Leader of the Opposition, as well as a parliamentary question from one of the member's colleagues. I do not have a copy of that draft reply with me this evening. It is a sensitive issue. I am pretty sure that by the time we are required to have the answers into the Committee in a couple of weeks we should be in a position to include the sort of detail that we would have already provided separately by way of response to the Leader of the Opposition.

**Mr FOLEY:** Was ETSA allowed to fully commercially compete for that contract, and did you, any of your Government officers or other Ministers have any involvement in that negotiation?

**The Hon. R.I. Lucas:** As I have indicated, the Government has a comprehensive response to that question. I do not have it with me this evening and I do not intend to potentially cut across it by an off the cuff reply this evening. We will be providing a response to the Leader of the Opposition's letter and we will incorporate required aspects of that response in responses to Estimates Committee questions.

**Mr FOLEY:** One can be nothing but suspicious of the Government's role in negotiations between ETSA and WMC. One hears many things and one talks to many people but one has only to look at what actually occurred. Whether this is the letter you are referring to or not, I understand that an FOI bid has now been answered and that from 25 January 1999 through to 24 March many letters and correspondence ran between ERSU, the Treasurer, Johnston Winter Slattery, Morgan Stanley Winter, ERSU and the Treasurer—everyone involved. So, clearly something was going on. Can the Treasurer now explain why the ETSA consultants, including lead negotiators, Morgan Stanley, Pacific Road and Johnston Winter Slattery, along with ERSU, were so heavily involved in the WMC issue in the lead up to the 1 March announcement of the ETSA contract termination? Why were they involved? What were they negotiating?

**The Hon. R.I. Lucas:** Which contract termination are you talking about?

**Mr FOLEY:** The WMC issue in the lead-up to the 1 March announcement of the ETSA contract—

**The Hon. R.I. Lucas:** What are you talking about?

**Mr FOLEY:** When ETSA entered into a deal with Yallourn Energy on 1 March.

**The Hon. R.I. Lucas:** I am not sure what the member is talking about in terms of an ETSA contract termination. It might be useful for him to further clarify which ETSA contract he is talking about being terminated.

**Mr FOLEY:** The announcement of the decision by WMC to enter into a contract between WMC and ETSA's retail arm, which occurred on 1 March.

**The Hon. R.I. Lucas:** The member referred to an ETSA contract termination. Which ETSA contract is he saying was terminated?

**Mr FOLEY:** On 1 March this year there was a public announcement of the termination of the contract between WMC and ETSA's retail arm.

**The Hon. R.I. Lucas:** A public announcement by whom?

**Mr FOLEY:** By WMC. Do you remember the front page story?

**The Hon. R.I. Lucas:** The honourable member ought to talk to the Leader of the Opposition. I suspect that the question might have been written for the honourable member.

**Mr FOLEY:** It was.

**The Hon. R.I. Lucas:** I do not think that he understands the question.

**Mr FOLEY:** I do understand the question.

**The Hon. R.I. Lucas:** I do not think he does. The question was obviously written for the member, which he has conceded, and he does not understand the question. That is his prerogative. I advise the member to go back to the writers of the question, which he has admitted that he does not understand, and take up the issue with the Leader of the Opposition because he might find that the Leader has been provided with some advice about the supposed accuracy of the press reports on which he is relying. Nevertheless, even with that glaring inadequacy in the drafted question for the shadow Treasurer, I am still happy to take on notice whatever I can make of the member's question and endeavour to construct some form of answer for him within the time that is allowed for response to Estimates Committee questions.

**Mr FOLEY:** The Treasurer's comments do not serve him well. He knows that an announcement was made that ETSA Retail would lose its contract and that Yallourn Energy would pick it up. Why were Morgan Stanley/Pacific Road, Johnson Winter & Slattery, ERSU and others—there are about 30 to 40 pieces of correspondence—involved in these negotiations?

**The Hon. R.I. Lucas:** I can only advise the member to be careful about what he is saying in a public arena rather than in Parliament, and he needs to check the accuracy of his claims. My first piece of advice to the shadow Treasurer is not always to believe what is written in the newspapers. Sadly, too often, the Leader of the Opposition and the shadow Treasurer rely on what is written in the newspapers as being fact. It would pay them to do some research and check the details.

**The CHAIRMAN:** I declare the examination of the vote completed. I thank the Treasurer, his staff and the members of the Committee for their cooperation because we have dealt with some 100 questions today.

#### ADJOURNMENT

At 9.59 p.m. the Committee adjourned until Thursday 24 June at 11 a.m.