

HOUSE OF ASSEMBLY

Thursday 15 June 2000

ESTIMATES COMMITTEE A**Chairman:**

The Hon. D.C. Wotton

Members:

Mr K.O. Foley
 The Hon. G.A. Ingerson
 Mr I.P. Lewis
 Mr E.J. Meier
 Ms M.G. Thompson
 Mr M.J. Wright

The Committee met at 11 a.m.

Department of Treasury and Finance, \$29 102 000
 Administered Items for Department
 of Treasury and Finance, \$1 027 653 000

Witness:

The Hon. R.I. Lucas, Treasurer, Minister for Industry and Trade.

Departmental Advisers:

Mr J. Wright, Under Treasurer, Treasury and Finance.
 Mr J. Hill, Deputy Under Treasurer, Treasury and Finance.
 Mr P. Duldig, General Manager, Finance, Treasury and Finance.
 Mr J. Nothdurft, Director, Information Management, Treasury and Finance.
 Ms S. Lees, Director, Fiscal Strategy, Treasury and Finance.
 Mr R. Emery, Director, Financial Services, Treasury and Finance.
 Mr R. Schwarz, Acting General Manager, SAFA.
 Mr C. Moore, Senior Coordinator, Strategic Management, Treasury and Finance.

The CHAIRMAN: As most of you would be aware, in working through the proceedings today, the estimates committees are relatively informal. The committee will determine an appropriate time for consideration of proposed payments to facilitate the changeover of departmental officers. 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 the form suitable for insertion in *Hansard* and two copies submitted to the Clerk of the House of Assembly no later than Friday 30 June. It is my intention to provide the opportunity for the Treasurer and the lead speaker for the opposition, the member for Hart, to make an opening statement, if they so desire, I would suggest of about 10 minutes but certainly no longer than 15 minutes.

A reasonably flexible approach will be taken in calling for questions, based on about three questions per member. Members may also ask a brief supplementary question to

conclude a line of questioning, but I would suggest that supplementary questions be the exception rather than the rule. Subject to the convenience of the committee, a member who is outside the committee and desires to ask a question will be permitted to do so once the line of questioning on an item has been exhausted by the committee. An indication to the chair in advance from the member outside the committee wishing to ask a question is, however, necessary. Questions must be based on lines of expenditure as revealed in the Estimates Statements, and reference may be made to other documents, including the Portfolio Statements. However, I urge members to 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 can be placed on the next day's House of Assembly *Notice Paper* or asked as a question without notice. 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, that is, that it is purely statistical and limited to one page in length. All questions are to be directed to the Treasurer, not the Treasurer's advisers. The Treasurer will then be given the opportunity to answer every question as it is asked, or the Treasurer may refer questions to advisers for a response or undertake to bring back a reply.

I also advise that, for the purpose of the committee, some freedom will be granted for television coverage by allowing a short period of filming from the northern gallery, if required. I remind all members, ministerial advisers and observers that all mobile telephones should be turned off at this stage while in the Chamber. I now invite the Treasurer to detail any agreed program and to introduce his advisers and, if he so wishes, make a brief statement to the committee.

The Hon. R.I. Lucas: I do not intend to delay the proceedings of the estimates committee with an opening statement. There has been broad agreement with the member for Hart regarding proceedings, consistent with our past practice of being fairly flexible. Such agreement assists the movement of officers in and out of the parliament rather than their having to wait around all day. We acknowledge and appreciate a broad agreement about when we might do certain things. I do not intend to delay proceedings with an opening statement. I look forward to cooperating with members to the degree that we can.

The CHAIRMAN: I declare the proposed payments open for examination, and I refer members to page 35 in the Estimates Statement and volume 1 part 3 of the Portfolio Statements. Is it the intention of the member for Hart to make an opening statement?

Mr FOLEY: I would like to make an opening statement, Mr Chairman. I will make a few observations on the state's financial position as I see it. This is my seventh estimates committee experience in opposition, and hopefully my time in opposition is drawing to a close. In the seven years that I have been in this role as shadow treasurer on these committees, I have received a fair tongue lashing about the financial management of former Labor governments and the precarious state of our budget upon the Treasurer's election to office in 1993. Stephen Baker, the Treasurer's former colleague, was always one to stick it to me and you, Treasurer, are not shy in that practice.

It is important to look at our financial position, and I want to look particularly at the time the honourable member has been Treasurer. In the 1998-99 budget, it was predicted that

there would be a \$4 million surplus which, as we know, turned into a \$65 million deficit. In the 1999-2000 budget, a \$1 million surplus it would appear has now become a \$39 million deficit. Also, as we will go through at a later stage, that deficit was reduced by what would appear to be the raiding of some surplus cash available in some of the government's electricity business and a few windfall gains from Optima and other enterprises to help reduce that deficit. In the budget you talk about a \$2 million cash surplus but, as we know, that has been achieved through the use of proceeds of an asset sale from the Adelaide Casino and, in effect, your budget is at least \$84 million in deficit.

I want to make the point that since 1993 this government, under successive Treasurers, has done a number of things. It has reduced the state public service by what I understand to be upwards of 20 000 public servants, which gives an enormous saving for the recurrent budget. It could be more, but I think it is up to about 20 000. We have seen asset sales under the former Brown government, followed through by this government, and what you have scheduled still to go with the Lotteries Commission, the TAB and Ports Corp—arguably asset sales upwards of \$8 billion to \$8.5 billion. Your government has also increased a number of taxes and charges over six or seven years, well ahead of inflation, and dreamt up new taxes such as the emergency services tax. So, you have had a significant reduction in public servants, a massive asset sale program and a very significant increase in the real rates of taxation in this state.

After all that, we still have budgets that must rely on asset sales to give us a fictitious surplus. So, we are still running budgets sufficiently in the red. I really must say to the Treasurer that after seven years of your government, with all that you have done to sell assets and reduce the size of the public service, it is amazing that you are still producing deficit budgets. I will go on to show in a moment that this is perhaps setting up this state for a very difficult and precarious financial future for whomever should be the next Treasurer and government, be it your government or be it ours.

You have, of course, tried to deny that your budget is in significant deficit and that the Casino sale has not been factored into your budget. However, I can only but draw your attention to a number of highly qualified economic analysts and commentators who commented on your budget. Let us have a look at what Alan Mitchell from the *Financial Review* had to say in this respect:

The budget is showing a cash surplus only because of the one-off profit from the sale of the state's Casino. And the forward estimates, with their inherently optimistic bias, only show the future budgets to be barely in balance. When the budget and forward estimates are presented on an accrual basis, the state government is facing a string of deficits.

We then notice in the *Australian* Robert Guy stating:

The budget papers highlight a projected surplus of \$2 million for 2000-01 from a deficit of \$39 million in 1999-2000 which was affected by the GST implementation costs of \$40 to \$50 million. The exclusion of the \$86 million profit from the sale of the Adelaide Casino would have produced a budget deficit of \$84 million for 2000-01.

Yet you claim that not to be the case. Then we have Standard & Poor's, an agency whose comments we all listen to very closely and whose statements your government has been ready to grab hold of when they have suited. What did Standard & Poor's say about your budget when it was brought down? It said:

South Australia still has some fiscal repair work to be done before its budgetary position is sustainable. Despite the small cash

surpluses in the fiscal period 2001-04 shown in the South Australian budget, which was brought down yesterday, the general government accrual net operating balance is in deficit for the entire period to fiscal 2004.

I continue:

'As the annual expenses of running the government, including depreciation and accruing superannuation obligations exceed operating revenue, the government's net worth is, in fact, declining over time,' said Rick Shepherd, Director, Public Finance Ratings. 'This is not a sustainable position in the long term'... The government's adjustments to its contribution schedule for past service superannuation liability have assisted it to achieve the cash surplus position, but they do not affect the operating balance based on accrual accounting.

There goes again further confirmation of the fiddle with the Casino. Then he says—and this is an important point and we will be coming back to it later:

The government appears to be spending somewhat more than the ongoing savings from the electricity privatisation.

It is not a pretty picture for the state's finances. If that was not enough, a report brought down a week or so ago is extremely alarming. It blows the credibility of not just your government: in fact, it is quite complimentary to the early part of the Brown Government, but it is an extraordinary indictment on the performance of the Olsen-Lucas government. I refer, of course to *Trends*, the June 2000 bulletin, which I understand was compiled by Access Economics.

What did Access Economics have to say about the state of the state's finances? I would ask the Treasurer to listen to this because this is a very concerning commentary and, as I say, an indictment on the Olsen-Lucas government. It also has a very telling graph and I will have copies available for anyone who wants to see it. When talking about public sector output in South Australia, it states:

After declining fairly steadily from 1991 to 1997, local public sector output growth began to surge in 1998—

I repeat: 'began to surge in 1998'—

possibly adding 2 per cent to total output growth. Last year saw the local upswing matched by an increase in national public sector spending. In fact, the past two years have seen almost all of the moves towards a smaller public sector in South Australia undone—

I repeat: the past two years of your tenure as Treasurer has 'seen almost all of the moves towards a smaller public sector in South Australia undone'—

with the government's contribution to local output back above 26 per cent. While a relatively large component of the increase in the past two years has been due to rising government investment in South Australia, government consumption as a share of state output is at its highest level since 1986.

That is an extremely concerning commentary and an extremely concerning graphic. As the article in the *Australian* went on to state yesterday, when I understand the author of that comment was interviewed:

That is clearly an unsustainable position in the medium to long term.

Again, we will go into that when we go through the budget and look at some of the forward estimates. Your two years as Treasurer clearly can be seen as one of very poor management of the state's budget. You have attempted, in my view, to gain financial credentials and credibility by your sale of ETSA, but your general control of the budget has been less than satisfactory, and that has seen a significant financial deterioration for our state. As I said, we will go through that during the course of the day. They are not my words: they are the words of national commentators, Standard & Poor's and Access Economics.

I conclude my remarks and begin the questioning process by asking the question: how does the Treasurer continue to justify his claim to have brought down a budget with a cash surplus in light of the fact that his budget includes the proceeds of an asset sale—the Casino—to prop up the budget bottom line? As I said, that is not only the opposition making that point but also a number of nationally, respected commentators including Standard & Poor's.

The Hon. R.I. Lucas: I thank the member for Hart for his contribution to the estimates committee—a significant part of which the government significantly disagrees with. I will not go through all the areas of disagreement, but let me highlight one and nail it. The member for Hart has been saying for some time that the government has put the proceeds of the Casino asset sale into the budget to balance the budget. He is wrong. Indeed, I challenged the member for Hart in a television debate to demonstrate where one dollar of the proceeds from the Casino asset sale went into the state budget to produce the balanced budget. He might have taken some offence but, as I said in another place, the member for Hart looked like an ageing groper as his mouth opened and closed and nothing came out. In the end, he was unable to demonstrate where a single dollar of the Casino asset sale had gone into the budget. The member should be more precise in terms of his questioning.

There is certainly commentary from a number of other commentators in relation to the way in which the government has treated past superannuation payments and liabilities. They are genuine and reasonable questions, to which I am happy to respond, and I am sure that I will have a chance to do so. However, the member for Hart continues to repeat an error for which he was corrected in a televised debate, and for which he has been corrected on a number of occasions since then. By his choosing, in his opening statement today, the big hit on the budget from the shadow treasurer, he is again repeating something that is just factually incorrect. He knows it to be incorrect but obviously, I suppose, this is the biggest hit he can mount in terms of the budget. If you do not have anything else, I suppose you rely on repeating an error that has been made and hope that no-one will pick it up. So, I reject that completely.

In relation to the issue of bringing down budgets, the member refers to the first budget result that this second government brought to account, which was a budget predicted, I think, broadly to be balanced but which delivered a surplus of almost \$50 million. As was explained, the following budget, as a result of carryovers in expenditure, was estimated to be a balanced budget, and we reported a deficit for that year. This budget, 1999-2000, has a deficit, for the reasons that we announced in June of last year, one month after the budget. The government had a balanced budget; it would have delivered a balanced budget because we had the Rann power bill increase in there of \$100 million. When the break-through came in the parliamentary debate on ETSA, we chose not to proceed with the Rann power bill increase, and that clearly was going to be a cost to us. There has also been for this year only, in terms of the size, very significant GST implementation costs, and the quantum for them was unbudgeted in this year. They are not ongoing implementation costs; they are one-off in terms of their nature. There will be some carryover of costs into 2000-01, but they will be smaller than 1999-2000.

So, in relation to the 1999-2000 result, we think that what we looked at was a relatively impressive result in terms of a \$6 billion or \$7 billion budget delivering a relatively small

and modest deficit, given the changes that we had to make post last year's budget. Ultimately, the only test of the 2000-01 budget will be the end result. Either the shadow treasurer will be proved correct with his prognostications about its being a huge deficit or the government and the Treasurer will be proved correct. There will be plenty of time prior to the next election in May next year, when we bring down the result, to demonstrate whether we are accurate or whether the shadow treasurer is. My money is on us but I presume that the shadow treasurer's money is on himself. Time will tell as to who is accurate, and independent commentators can make judgments about the accuracy of the member's claims.

I could disagree with a whole series of the issues that the shadow treasurer made in his introductory statement, which I suppose was the explanation of his first question. I think the fundamental weakness of the proposition the shadow treasurer puts is that he, and he alone, is almost isolated within his own party. He quotes freely, and he used his commentary today, to criticise this government for being a free spending and big spending government. He indicates—as does the Leader of the Opposition—that this budget is terrible and that there is an imbalance in the accrual sense—a clear commitment from the Labor Party in government, obviously, to find the extra \$80 million or \$90 million that is required. Yet, for the rest of the time, he and all his colleagues roundly condemn the government for not spending enough on health, education, transport, police services, welfare, and recreation and sport.

There are whole new policies for iconic buildings in the arts that the Leader of the Opposition is dreaming up: he is to build the new iconic building in the arts area. There is a lack of integrity or credibility in the opposition's position on this matter, and sadly, the shadow treasurer, in terms of support from his colleagues, is forever being undermined by some of his own statements and the statements that his colleagues make. If the honourable member wants to develop a proposition that the government is taxing too much and spending too much, there needs to be some consistency between his leader, himself and his front bench colleagues, who continually berate the government for having spent too much.

Indeed, one has only to look at last year's estimates committees, when the big hit against the government was this high spending government, which was going to have a 5 per cent increase in spending. Within days, his health shadow spokesperson was attacking the government for cutting health spending; the education spokesperson was attacking the education minister for cutting education expenditure; and the transport spokesperson was attacking the transport minister for not spending enough in the transport area. Within days or weeks of the shadow treasurer's statements, at least six or seven separate shadow ministers were undermining the position that he was putting down.

As I said in my budget speech, that is one of the wonderful joys of being in opposition: you can have the best of all worlds. You can promise the world and be responsible for nothing, and the opposition, I think, true to the last four years, is adopting that approach. Fair enough, that is what Labor oppositions do, and I am sure that they will continue to try to get away with it. It is the government's responsibility, and independent commentators, I suppose, at some stage, can call them up and say, 'You oppose every revenue increase; you oppose every expenditure cut; you oppose every privatisation which can free up some money. You promise that you will

balance it not only in a cash sense but also in an accrual sense. You say that you will not use any flow-on benefits in any way from superannuation to assist in producing a bottom line.' These were all firm commitments from the shadow treasurer; that he will never do this sort of thing in the future should he ever be in the position of Treasurer. And he will reduce the state's debt. It is beyond the realms of credibility. No-one believes it. I do not even think sometimes the Leader of the Opposition and the shadow treasurer believe it: they just hope that they can get away with it.

We are happy to continue to respond to the individual issues that are raised through the day. I respond in relation to the general issues that the shadow treasurer has raised, and I am very happy to respond to individual questions.

Mr FOLEY: I did have a chuckle when the Treasurer called me—what was it, a groper, a big—

The Hon. R.I. Lucas: An ageing—

Mr FOLEY: I did take offence to the word 'ageing', I must confess. I thought it was amusing. We do not stoop to that sort of abuse in this chamber. In fact, my recollection of that high rating, widely seen television debate (and I think that the Treasurer, I and probably our respective spouses were the only ones who saw it, as they were doing the dishes), is that I do not think the Treasurer challenged me to—

The Hon. R.I. Lucas interjecting:

Mr FOLEY: True. I do not think that the Treasurer challenged me to point to the budget papers on that issue. I think the Treasurer will find, if he goes back and listens to the tape (not that I suggest he do so), that he challenged me to suggest how I would have done things differently. The Treasurer asks where in the budget papers does it say that the government used the proceeds of the sale of the Casino to help it budget bottom line. In paragraph 2.2 of budget paper 2, the following is stated:

The premium from the sale of the Casino complex by FundsSA will provide \$86 million of the government's scheduled contributions towards fully funding the superannuation liability. This has enabled the government to reduce the contribution from the state budget.

So, it is obvious there; it is the government's own budget paper. Of course, when we go to the document Budget at a Glance, page 8, we see the following:

The reduction in payments required across the forward estimates results from the gain on the sale of the Casino complex, which yielded a material profit for Funds SA. This has provided the government with the ability to reduce the forward estimates for the past service superannuation contributions.

The table underneath also quite graphically shows where the Treasurer has been able to put in \$84 million less than he otherwise would have put in from his budget, had he not had the sale premium, as he calls it, from the Casino. There is no doubt that in his own budget papers he does that, and I again state that that is not my observation alone but that of people such as Alan Mitchell from the *Financial Review* and Robert Guy from the *Australian*, commentators who are well respected. Most importantly, it is also the view of Standard & Poor's rating agency.

I do not really know why the Treasurer continues to give this false response. And he talks about me giving misinformation! On this particular point, the Treasurer's credibility is zip, because he has been blown out of the water not just through the observations of the opposition and the shadow Treasurer but, more importantly, from independent commentators. I will move to my second question: that was a sort of preamble.

The reality is that, following the budget on 30 May, the Treasurer conceded in follow-up interviews that the budget was, in his own words, on an accrual basis in deficit and set to continue to run deficits out to 2004. In fact, the consolidated operating statement (budget paper 2, table 3.4, page 3.7) refers to an operating deficit of \$89 million in 2000-01 and continuing deficits out to and including 2002-03. How can the Treasurer continue to make these statements and why will he now not concede that in every meaningful sense this budget and the forward estimates have a significant deficit?

The Hon. R.I. Lucas: In the shadow Treasurer's new position on the Casino proceeds he is now getting closer to being accurate, because that is what the government has said. What he has been saying in his opening statement and in previous public appearances is that the government had used the proceeds of the Casino asset sale, taken them across and put them into the budget to produce a balanced budget that was not really a balanced budget. As I said to him, if he was prepared to have a look at the budget documents and be a bit more accurate, we can be in the same football park, in terms of what we are talking about.

The government has not taken the proceeds of the Casino asset sale out of Funds SA, because it was its asset, and put them into the non-commercial sector budget accounts. The dollars that have come from the sale stay within Funds SA. What the government has done, which is now the position the shadow Treasurer has moved himself to—and I thank him for that because that is what we have been saying—is that the government has looked at its repayment schedule, its attempt to repay the \$4 billion or so of unfunded superannuation over 40 years repayment schedule, looked at the year 2000-01 and said that the dollars actually paid by the new owners-operators of the Casino will go into Funds SA and stay there.

We will not take them out of there. However, they go into an account that accrues towards the repayment of superannuation liabilities. Therefore, when the government looks at the budget it can decide, as it does each year, how much we actually pay in terms of the unfunded superannuation that Mr Foley and his colleagues (and others from previous years) have left us to try to repay, and we decided not to put in as much money in 2000-01 as we were originally going to.

So, the shadow Treasurer at last has come to the realisation of what we have put in the budget papers. He reads out the comments, and that is exactly what the government has said. It is not correct for him to say that the government has taken the money from the asset sales out of Funds SA and put it into the non-commercial sector budget accounts. In making this annual decision as to how much past service superannuation we actually pay out of the budget to help pay off this \$4 billion or so in unfunded superannuation, we look to see whether we are on track with our repayment schedule.

My advice is that we are not only on track but slightly ahead of the schedule. We started this repayment schedule around 1994-95. There was a change to that schedule around 1997-98 and we mapped out a schedule of repayments. The government is not only on track with those repayments, even with the budgeted smaller amount coming out of the budget accounts into Funds SA for next year, we are actually ahead of schedule. No-one can actually say that here is a 40-year plan we have mapped to pay off these debts we were left with, the unfunded liabilities. We had to pay certain dollars per year.

We are actually on schedule or ahead of schedule in terms of the quantum both at the end of this year (1999-2000) and the end of next year (2000-01). So, there is now agreement

in relation to that. As I said, I welcome the shadow Treasurer clarifying and correcting his earlier remarks and agreeing with the government's position.

In relation to the issue of accruals and cash accounting, as I have said publicly, this government is the government that has taken the hard decision actually to introduce not only the cash accounts but also the accrual accounts, so that oppositions—this current opposition and, heaven forbid, if we are in that position again—will be in a position to make some comparisons about both cash and accrual accounting, in terms of what the state's accounts are. This is now our third year of reporting both: not something ever done by Labor governments.

They wanted this sort of information buried within the bowels of Treasury or government departments, never to be seen or debated in Estimates Committees or in the parliament. This government has been open and accountable and has put the information out there for everyone to see, for people to comment on and for oppositions to criticise, should they wish to do so. It is actually testimony to this government's openness and accountability that we are even having this debate, that we have these accrual accounts being produced.

There are various versions of how you produce your accrual accounts. This government could have produced a set of accrual accounts for 1999-2000 and next year with about a \$2 billion surplus for this year, and next year X-hundreds or whatever the number happens to be ultimately, from the asset sales for next year. I do not count myself as a purist, but the purists in terms of accrual accounting make clear from the accounting standards that if you are bringing money into the account from asset sales, or wherever else, put it on the bottom line.

So, in an accrual sense we could produce a set of accrual accounts, and that has been part of the criticism of Treasurer Costello federally: that his \$2.6 billion surplus, or whatever it is, that has been produced using—

Mr Foley interjecting:

The Hon. R.I. Lucas: It is not a question of stooping low. It is a question of what the accounting standards provide. It is not a standard I am making up. I am saying that we could have but did not. If the honourable member wants to be a purist in the accrual sense, he should go to the accounting standards—

Mr Foley interjecting:

The Hon. R.I. Lucas: But that is what the accounting standards allow you to do. This is the debate that is going on in the federal arena at the moment, and Treasurer Costello and federal Treasury have produced a result, I cannot remember, \$2.6 or \$2.8 billion, whatever the number happens to be, which indicates a particular view of the world. They have an argument that it is not really an asset sale but licensed proceeds, and I cannot remember the exact words they have used. I do not want to get into their debate.

We have not gone down that particular path. We have produced a set of what we think is a reasonable estimate of accrual accounts which, over the forward estimates period, come into balance estimated in 2003-04. But let me be not the first but one of many to say that there are various versions of accrual accounting, various measures of accrual accounts. We have produced what we think is a very reasonable attempt at accrual accounting, with bottom lines predicted, ultimately, to come into balance in 2003-04.

If, as the Leader of the Opposition and the shadow treasurer have indicated, the opposition will balance the budget absolutely in an accrual sense, should they ever be in

government, their colleagues need to know that in this year's budget terms they will be looking for another \$80 million to \$90 million of expenditure cuts. Given that the opposition has been promising extra spending on iconic buildings, education, health and a variety of areas, it can mean only that the opposition is promising a very significant increase in taxation in South Australia. We will be able to explore that at another stage.

Mr FOLEY: It is nice to know that, within 35 minutes, I was able to get the Treasurer to concede that the government's masquerading of not using the Casino to bolster the bottom line has finally been exposed.

The Hon. G.A. Ingerson interjecting:

Mr FOLEY: No, you do not understand it. What we said from day one—

The Hon. G.A. Ingerson interjecting:

Mr FOLEY: You used to run businesses?

The CHAIRMAN: Order! The member for Hart will ask questions of the Treasurer.

Mr FOLEY: The member for Bragg may well have run businesses, but this is about the state budget, and on the day the budget was brought down we said that the fiddle to reduce the amount of moneys that would otherwise be required from the budget to meet superannuation obligations means that the government has used a windfall from the sale of the Casino or the proceeds of the Casino to bolster its budget bottom line. My words have not changed from day 1. The Treasurer has danced around it and, within 35 minutes this morning, we have been able to get from the Treasurer an admission that that is what has occurred. It is a pity that the Treasurer could not have been more honest and up-front at the beginning of the process some weeks ago when he continued to say that the Casino proceeds were not used for any budget bottom line improvement. My question is simple: how can it be that, after seven years of government, 20 000 fewer public servants, \$900 million of increased taxation and charges, and upwards of \$7 billion to \$8 billion of asset sales, your government is unable to balance the state's budget?

The Hon. R.I. Lucas: The shadow treasurer cannot read the budget papers. We are producing a balanced budget this year and for the next three years we will be producing balanced budgets, so there is an incorrect assumption in the honourable member's question. The other point that I make in rebuttal of that simple question by way of a simple answer is that, even if the shadow treasurer were correct—and the government does not concede that he is correct in relation to the Casino issue—he fails to strike a blow in terms of the forward estimates for 2001-02 and 2002-03, which will be balanced budgets. Even if the shadow treasurer were correct, the moneys from the Casino, which he concedes have not been transferred from Funds SA (and I thank him for that concession), can be used in whatever way for only one particular year. We are producing a set of forward estimates for three and four years, particularly three years.

Mr Foley interjecting:

The Hon. R.I. Lucas: Time will tell next year if it is a puff of smoke. The shadow treasurer has a view, we have a view, and we will see who is correct.

Members interjecting:

The CHAIRMAN: Order!

Mr MEIER: I compliment the Treasurer on this budget and on his previous budgets. People are recognising that many of the hard decisions are starting to pay off and it is pleasing to see the way in which South Australia is benefiting as a result. I refer the Treasurer to the Budget Statement,

pages 5.7 and 5.8. In that section, there is a comparison between South Australia and other states of tax efforts. The issue of tax comparisons with other states often comes up, and I recently discussed it with a constituent of mine, indicating our relative position, but that constituent suggested that people earn more in other states, particularly in New South Wales, than they do here. Will the Treasurer indicate how well South Australia's tax effort compares with that of other states in 2000-01?

The Hon. R.I. Lucas: This is a vexed issue. It involves the measurement of tax effort or tax effectiveness by the Commonwealth Grants Commission, which we provide information on, as well as information on the level of state taxes, which we report on in the budget papers, and we also report on state taxes and charges per head of population as measures of how the various state jurisdictions go about tackling state taxes and charges.

In relation to the tax effectiveness or tax effort ratios, one of the issues that leaves us in a slightly unfair position in terms of comparisons is that South Australia, through the tax equivalent regime, collects land tax on Housing Trust property. I understand that no other state or virtually no other state does that. It is a round robin. It goes into our state tax collection but, in essence, it is not a real collection from the non-government sector. Compared with other states, that increases our total tax collections. We have been having some discussion about that issue. As I said, it means that the measures that the Commonwealth Grants Commission produces can be adjusted to at least make them a closer apples for apples comparison rather than an apples and oranges comparison.

The second issue is that of state taxes and charges per head of population. In other words, what do people living in New South Wales pay per head of population compared with people living in South Australia? The difference is pretty simple. People in New South Wales pay about 31 per cent more per head of population in state taxes and charges than people in South Australia. A table in the budget papers shows that South Australia is the third lowest taxed state on state taxes and charges per head of population. To be fair, New South Wales is way ahead of everybody else in terms of these comparisons. Most of the states are in a much closer band. State taxes and charges in New South Wales amount to about \$1 900, whereas most of the other states are within a broad band.

For the smaller states like South Australia, so that we can try to deliver the same level of services as the other states, we get compensation through horizontal fiscal equalisation through the Commonwealth Grants Commission. That was a hard fought battle and it is a credit to the Premier that it was won. However, in South Australia it is more difficult. If we are trying to attract businesses and investment to South Australia, there are natural, in-built issues that we have to address and sometimes it means that we have to raise more money in South Australia than some of the other states in terms of the CGC's measures and tax effort regimes.

Mr MEIER: I refer to budget paper 2, pages 6.17 and 6.18 and the impact of the GST on state government fees and charges. What is the impact of the GST on state government fees and charges? Which fees are subject to GST and what price increases will result?

The Hon. R.I. Lucas: The overall result in terms of implementation costs for the GST, to which I referred earlier, looks like being potentially an all-up cost of \$45 million.

Mr Foley interjecting:

The Hon. R.I. Lucas: That is a number on which we are still working with various agencies. It will obviously be much less than that because the greatest cost will be implementation costs, development of new systems and software; those sorts of things will be the most significant costs. It is estimated to be a lower level. We still do not have a number on that in terms of what the ongoing costs will be. To be frank, some of the \$45 million is actually dollars that agencies are expending from within their own portfolios, that is, various officers who might have a number of functions will take on this additional function. There might be some attributed cost to the GST in relation to the work they are undertaking.

In terms of the split, it looks like being around \$30 million or so in terms of the preparation of this budget by way of extra allocation to agencies, and about \$15 million being met by agencies as a cost pressure within their particular agency. An all-up cost of about \$45 million is the best, latest estimate in terms of implementation costs. That is considerably less than was speculated earlier. I think the shadow treasurer mentioned in this chamber a figure of \$200 million for implementation costs. The figure of \$45 million is considerably less than the figure being speculated earlier. It is still, however, as I indicated in my opening statement, a not inconsiderable sum which the state has had to meet. Various other Labor treasurers, in particular, have used figures much bigger than that in terms of implementation costs in their areas. As to the impact on fees and charges, Mr Chairman, I think you said there is no provision for tabling a document.

The CHAIRMAN: That is correct.

The Hon. R.I. Lucas: In response to a question asked either in this chamber or somewhere else, I am in a position to table a full list of the fees and charges to which the GST will apply and will not apply. We are releasing that document publicly today, together with some other information in relation to the impact of wholesale sales tax as well.

The CHAIRMAN: The opportunity is there for you to bring that paper to the table. It will be circulated but it will not be included in *Hansard*.

The Hon. R.I. Lucas: I am happy to do that; through the lunch break I will get a copy of that document. It will be made available through the other forms of the House; whether in this chamber or the other chamber, someone has asked for a list and we are releasing that document today.

In relation to the final part of the member's question, the impact on fees, charges and prices obviously varies. In the case of a good number of fees and charges from non-commercial sector agencies, the impact will be up to 12.8 per cent, which is the full 10 per cent GST plus the annual indexation factor of 2.8 per cent. The commercial agencies will have to look at numbers which may be less than that. In relation to the PTB, the minister has announced that, with all the ups and downs of the national tax reform package, bus fares will rise by only 2 per cent as a result of some of the tariff increases. There is a very significant benefit in the national tax reform package as a result of the changes on diesel which impact on the public transport system.

The GST impact on electricity is around 9.2 per cent or 9.3 per cent; it is less than 10 per cent. They get some savings and, therefore, they cannot charge the full GST. They are able to increase with the indexation figure; they have a separate calculation, but it actually comes out to exactly the same figure, fortuitously, in this year's events. I think it is of the order of 2.8 per cent. AGL, which is a major retailer, and others have the capacity to charge less than that if they want

to. But, rather than 12.8 per cent, I think their charge might be down to 12 per cent to 12.5 per cent.

It is impossible to respond in terms of the price impact on all fees and charges, but, to summarise, it can vary from 2 per cent in relation to bus fares through to probably a maximum of 12.8 per cent—which is not all due to the GST, I hasten to say, but, rather, the GST plus the annual indexation factor of 2.8 per cent which the government has approved.

Mr MEIER: I refer to budget paper 2, particularly in relation to property taxes. What has the government done to promote a viable rural sector in this state?

The Hon. R.I. Lucas: There is a very long answer to this question, which I will not give in the interests—

Mr Foley interjecting:

The Hon. R.I. Lucas: I am happy to make available a more detailed response for the honourable member. The government has done a large number of things, some of which have been strongly condemned by the opposition. I will try to dig up those initiatives which it has opposed and those which it has supported. There have been a number of stamp duty initiatives, in particular stamp duty exemptions. Because of local financial institution closures, people have moved their loans to other financial institutions: the honourable member will recall that. There is also the reinstatement of the stamp duty exemption for rural debt refinancing. Again, the member has been active in lobbying former treasurers and the current Treasurer on these issues for his constituents. There is also the extension of existing stamp duty exemptions on intergenerational family farm transfers for a period. Again, these are just further examples. There are many other examples that the government has announced—

Mr Foley interjecting:

The Hon. R.I. Lucas: I am pleased the shadow treasurer has that on the record—repeating his party's opposition to some of these incentives to keep family farms together. I am sure our rural colleagues will be delighted with that further confirmation of the Labor Party's opposition and clear intent to wind back those concessions should they ever be in a position to do so.

Mr FOLEY: I said nothing more than I have said in the chamber. You may like to come back with the answer, but can you provide a complete list for 2000-01 of all remissions, reductions, concessions from state taxes, fees, fines and charges, and the cost to the budget for providing each of these remissions, reductions and concessions?

The Hon. R.I. Lucas: I am happy to take that question on notice. We could respond to parts of that question today but, in the interests of getting as many questions from the opposition as possible, which is always our intent and desire, I will take the question on notice and try to provide as much information as we can.

Mr FOLEY: I come to an area of the budget to which I would like you to come back with the answer. There is a budget expenditure line of \$18.1 million, 'coordination and advice' within the Department of Treasury, referred to on page 3.5 of budget paper 4. You may care to take these questions on notice. Can the Treasurer advise in detail how the expenditure of this \$18.1 million is to be divided as between the different target areas nominated on page 3.5? Secondly, can the Treasurer provide a fully itemised list of all expenditure to be undertaken within the \$18.1 million with a value exceeding \$10 000? That figure of \$10 000 might be too low, so I am prepared to accept a figure of, perhaps, \$50 000 if that is a more achievable request.

The Hon. R.I. Lucas: I am happy to respond to that question now. If there is anything further that I can add on reflection, I might do so. One of the dilemmas with the new way in which we are presenting the accounts for estimates committees and for commentators is getting people's head around—and I can understand that; no criticism is intended—how the new outputs, output classes, etc., are constructed and put together. The genuine endeavour in all this is to try to provide a series of performance indicators ultimately against which governments of all persuasions can be tested. Previous budget papers, of course, indicate how much you have spent and how much you have not spent, which is terrific fun, but ultimately what are you getting for the dollars you are putting in?

To cut through all of the description of 'output budgeting', we are trying to deliver more information in terms of the quality of services that are being provided. As part of that process, we are attempting to look at the role of departments right across the board in an effort to provide some measure of consistency across the sectors. One area relates to this issue of coordination and advice. I have heard some commentators saying, 'The government is paying \$100 million for coordination and advice.' For example, virtually the whole role of the Department of Treasury and Finance is to provide advice to the Treasurer and to the government.

The whole of the finance and economic sections of the department exist to advise the Treasurer and the government about spending proposals and those sorts of issues. Unlike the area of education, which delivers a school service, or whatever else, we are there very substantially to provide whole-of-government advice on not only those sorts of budget issues but also on competition policy, as well as a variety of other matters. The Department of Premier and Cabinet is another good example where, in essence, a very large part of its expenditure relates to coordination and advice.

Some commentators jump from the question of consultants—and I am sure that at some stage today I will be asked how much money has been spent on consultants—and then they try to wrap that in with, 'shock, horror, in this case the government is paying \$18 million for coordination and advice.' In the case of Treasury, it is what Treasury has always done. Some topping and tailing, obviously, is involved as treasurers come and go—each concentrates on their own areas. But in terms of the \$18 million, it is about how much we are paying the General Manager of Finance—not that we are paying him \$18 million; I am sure that he would be the first to indicate that. But the General Manager and all the officers within finance, in essence, are providing coordination and advice in that area, and they come within that output class or area of government. The same applies to the Department of Premier and Cabinet and some of the other whole-of-government responsibilities and agencies.

In responding to the question, I am happy to have another look at it but all we would be able to provide the honourable member is confirmation that, 'Okay, we are paying \$5 million on salaries to economists in the economics branch and \$4 million on salaries to more people in finance.' It might be the other way around but that is the situation in terms of salaries, sundries and allowances and those sorts of areas. We can look to see whether that sort of information can be made available but, in essence, that is what we are talking about. It is not a 'shock, horror' new allocation from the government: it is just a new way of presenting what we have always done.

Mr FOLEY: I understand that. Treasurer, you should not always think that my questions are designed to get a ‘shock, horror’ story. Sometimes my questions are about trying to obtain information to assist me in both policy preparation and helping my own thinking as to how one should structure government. Indeed, I am asking my shadow ministerial colleagues to ask similar questions of each of their agencies so that we can particularly look at some of the larger spending departments to determine exactly what is spent in that category. It is therefore appropriate that I ask this agency to provide whatever information is available.

Treasurer, I know that you are holding a press conference at 1 o’clock in relation to consultants. Perhaps we may conduct some of the more interesting side of the consultancy debate a little later in the day. I appreciate that the Treasurer might want to take this question on notice, but could he provide to the committee a list of all consultancies let during 1999-2000, indicating to whom those consultancies were awarded, whether tenders or expressions of interest were called for each consultancy and, if not, why not, the reasons for the consultancies and, indeed, the costs?

The Hon. R.I. Lucas: In the interests of expediting discussions today, I am happy to take those questions on notice. I have the answers with me but they would take some considerable time. Given that I am handling Industry and Trade matters today, I want to give opposition members as fair a go as possible and not have them in a position—

Mr Foley interjecting:

The Hon. R.I. Lucas: No, to be fair, other ministers are still handling broadly their same areas: this year I am basically—

Mr Foley interjecting:

The Hon. R.I. Lucas: I am not saying that I am over-worked but, in terms of giving the honourable member access to grill me unmercifully (as he has been doing for an hour and a bit), it is only fair to allow opposition members the opportunity to ask me as many questions as possible today. I am handling two full days of questioning from last year, minus Recreation and Sport and a few other bits and pieces that are now in other agencies. It is not fair to measure my response against others and criticise others because, if that is to be the case, I will read the whole bally lot into the record. I think that I am in a different position. I am trying to be fair because I have two previous portfolios to squeeze into the one day.

The Hon. G.A. INGERSON: It is good to see that the Treasurer is working so hard on the second portfolio. Treasurer, could you advise the committee what initiatives the department has implemented or considered that will impact on women in the department?

The Hon. R.I. Lucas: Again, I am happy to provide some detailed response to the honourable member at a later stage, or to any other honourable member who is interested in this broad area. I admit, when I first arrived at Treasury, having spent four years in education, that the issues in terms of gender balance were—

Mr Foley interjecting:

The Hon. R.I. Lucas: I do not have to be careful. My views are well known on this issue, both in Treasury and in Education. I was struck that the issues of gender balance were quite the reverse. To be fair, when I arrived in the Education Department I thought that there was a particular approach which needed to be adopted to ensure that there was reasonable representation of men at senior levels in some areas of that department. That was certainly achieved and we had a

good representation, particularly at executive levels, of both men and women in the Education Department. That has been a natural by-product in some parts of the history of the Education Department through various governments and ministers for a long period of time.

When I arrived in Treasury I was struck, I suppose, that at just about every meeting I attended (as much as I love my male colleagues, in the Treasurer/officer sense, I might say) it was very rare ever to see a female senior officer within—

Mr Foley interjecting:

The Hon. R.I. Lucas: I am the first to concede that. You do not change the culture of an organisation overnight. As I said, at a later stage I am happy to provide some detail to those who are interested, but we appointed Kate Spargo with the full assistance of the former Under Treasurer, then the Acting Under Treasurer (John Hill), and now the new Under Treasurer, Jim Wright. We have had the full support of the under treasurers, if I can use the term collectively, in the past 12 to 18 months, as well as their senior executives. Kate Spargo provided some advice, which I thought was very sensible advice.

There are ways and ways of achieving change, and the ways that have been discussed and recommended by Kate Spargo, and agreed and endorsed by the under treasurers and their senior staff, have been sensible ways of evolving change in relation to this area. We have a situation where many highly qualified young female graduates join Treasury, work their way through to a certain level, and then, for a variety of reasons, either move to other agencies or other careers, or move back into their own set of personal circumstances, which has meant that they have not continued with Treasury.

We are not over playing what we have been able to achieve in a short space of time, because I will be the first to concede—and the Under Treasurer will be equally quick to concede—that we are committed to change in this area. We are setting in place some processes to see that change over a period. I cannot speak for the Under Treasurer but I know that I will not be around forever so, hopefully, the new Treasurer—whoever and whenever that happens to be—will see the good sense in what has been put in place and be prepared to see that process evolve, change and further develop so that in the estimates committees in four or five years’ time there will be a greater number of senior female officers within Treasury. I suspect that there will not be as many as there are in education, but at least it will be a greater number than we have at present.

The Hon. G.A. INGERSON: I have had a long-term interest in gambling in relation to horse racing and other areas. Some significant developments are occurring in relation to the way people wish to gamble. What is the position with the regulation of internet gambling?

Mr Foley interjecting:

The Hon. R.I. Lucas: It could come under both. It could come under ‘gambling taxes’ or we could tackle some of the detail later with the Liquor Licensing Commissioner, as well. In terms of the broader impact of gambling taxes, the honourable member’s question is important for treasurers and future treasurers. I hasten to say that the views I express are the same views I expressed when I was the Minister for Education.

An honourable member interjecting:

The Hon. R.I. Lucas: No, it is not necessarily the view of all in the government. My views have remained consistent and, contrary to some scuttlebutt, they are not views I have adopted as a result of being the Treasurer. When I was

Minister for Education (and you, Mr Chairman, might have been a minister of another portfolio), I always thought that those of my colleagues who supported gaming machines in the Casino and those extra increases in revenue should have received a disproportionate share of the revenue that was collected. It was not a view genuinely agreed to by my ministerial colleagues. The issue of internet and interactive gambling will be critical. The honourable member raised the important issue of Treasury and gambling taxes, which this estimates committee will have to monitor in future. When governments and/or parliaments are taking decisions, they will have to consider their social implications, as well as their impact on the state's revenue base. I do not sit here today arguing that taxation revenue measures only and not social implications should be taken into account: both should be considered.

Too often in the debate, one aspect is talked about and the rest is not. Ultimately, when people talk about the impact of taxation, regardless of whether this government or future governments do not get millions of dollars from gambling taxes, if the government is to continue to pay its teachers, nurses and police, it will have to raise the required revenue through another taxation measure. We will have the criticism from welfare groups and others who will ask, 'Why have you further increased taxes on motor vehicle charges, because that has a disproportionate effect on people living in the outer suburbs, people who are running two cars, shift workers?', or whatever it might happen to be: it is inequitable that too much of the state's tax base should come from that area. Or if you happen to do it in relation to stamp duties, you will have criticism from members of industry sectors who might say, 'It will harm employment within the housing industry'—or whatever it might happen to be.

Too often in this debate the tax implications of the decision are being ignored, and the impact of various tax decisions on population sectors and industry sectors are ignored as well. It is just assumed that we will get rid of gambling taxation or reduce it significantly and that it will never be replaced by government with some other measure. It is convenient for members to have that debate, and members in this chamber and my own chamber will have to debate that in the coming weeks or months. As they necessarily look at the social implications of their decisions, I urge them also to look at the social implications of the taxation impact.

If you get rid of a large chunk of gambling revenue, state governments and state treasurers will have to raise that revenue through another mechanism. What will be the social implications of those tax and revenue decisions the government will have to take? Then if you want to compare and say, 'We're happy to have \$50 million or \$100 million less collected on gambling taxes in the future; we are happy for it to go onto motor vehicle charges and we are happy to put up with the RAA and rural motorists and others who complain about that,' that is fine: members are having that debate in the full knowledge of what they are doing. Certainly, if I have any opportunity, I will be wanting to provide that sort of information in terms of the debate that is about to come. It is exactly that debate that the member for Bragg is raising in terms of internet and interactive gambling, as well. That is moving at a great pace.

We can continue to delude ourselves with the views of some of my federal colleagues who, like King Canute—or perhaps even Don Dunstan—can stand at Glenelg beach and stop a tidal wave from coming. It was just impossible for that

to be stopped. I believe—and this is my view not the government's view—that the sooner we have a sensible discussion nationally (or as many states as possible are prepared to discuss it sensibly) about a regulated framework for interactive and internet gambling, where there is some consistency between the states and the territories, the better we will be. The longer we deny that, the greater the degree of difficulty in achieving it. Various states are already moving down the path at their own pace. The capacity we had in 1996 to be able to get a lot of states and territories together to try to do something sensibly in the area is being dissipated slowly.

The Hon. G.A. INGERSON: In the budget statement there is a reference to first home owner grants. What is the government doing to provide relief in this area as a consequence of the increased costs associated with the GST?

The Hon. R.I. Lucas: The government is doing a lot. Broadly, a \$7 000 package is to be provided through part of the national tax reform arrangements. We are debating that in the chamber at present. I am happy to provide to the honourable member or other members further detail on that, if required.

Mr FOLEY: With regard to the member for Bragg's second question on internet gambling, there are occasions when the Treasurer does surprise me. It is a pity it does not happen more often, because he gave a well articulated and extremely thoughtful contribution to debate. I thought that response to the member for Bragg's question was good. Without wanting to be too flippant, perhaps the Treasurer, a few others and I have to show some leadership on this issue in the parliament very soon. Interactive gambling is coming apace and none of us can afford to keep our head in the sand and hope that we can withstand a revolution in terms of not just gaming but how our lives are affected by internet gambling. That is an issue that we can perhaps talk about later today. I look forward to some other discussions about how a few like-minded MPs—and I acknowledge the member for Bragg and others—can advance that issue, because if we do not we will be caught out. Enough of the niceties.

I want to come back to some criticisms that have been made by commentators about the Treasurer's budget. In my opening contribution, I alluded to the Access Economics report that was done as part of *Trends*, the BankSA report, and I come back to the statement that Access Economics is making, as follows:

In the past two years, we have seen almost all the moves towards a smaller public sector in South Australia undone with the government's contribution to local output back above 26 per cent.

It goes on to say:

In South Australia, government consumption as a share of state output is at its highest level since 1986.

As I said, it was reported in the *Australian* yesterday that, according to Access Economics, this is an unsustainable position. How do you respond to that quite strong criticism of your budget position from such a highly respected economic consultancy, particularly on the conservative side of politics? It is a fairly damning indictment on the past two years budget policies. I would be interested to hear your response.

The Hon. R.I. Lucas: In relation to budgets, the proof of the pudding ultimately is in the eating. As for my response to the shadow treasurer's views as to where we might end up (in his view this is unsustainable), if Access Economics does have that view, ultimately we will know next year. As I said,

we are confident that we can deliver a balanced budget for next year.

In relation to the specific issues, this is an issue that I raised with the newspaper concerned. My advice and understanding is that this measure is not just a measure of the state government: it involves commonwealth, state and local governments. I am sure that because of problems with the sub-editor rather than the journalist all my responses were not included in the story. The point I made was that, for it to have more validity as a criticism, it really needs to look at the state government's contribution to this measure of the public sector. I do not think the shadow treasurer should seek fairly to portray—although he can seek to portray it if he wishes—this measure as a just a measure of the state government. There are options or possibilities where, for example, the state government could have a relatively modest increase and the commonwealth might have a massive one. I am not saying that is the case, but I am saying that those options are possible, and for this criticism to be mounted you would need to get that level of detail to have it as a fair criticism.

The other point I would like to make is that, again, governments obviously cannot win in this area. We are being attacked by the Leader of the Opposition for cutting expenditure in education, health and a variety of other areas and that we need to spend more on the arts and iconic buildings, and those sorts of things. Yet we have this criticism which says that we are spending too much.

Governments cannot win in relation to this issue. I guess if you are being attacked by some saying you are spending too much and some saying you are spending too little, we must be getting it about right. We are getting attacked by both sides for arguing about our level of expenditure.

The last point I would like to make is that last year we were attacked by the opposition shadow treasurer about the 5 per cent projected increase in total outlays in real terms. I highlighted at the time that, given the inevitable underspends in both capital and recurrent which occur, we believed that that figure would not be achieved. I think we are reporting a figure of 1.6 per cent of total outlays of real growth in chapter two of that budget document. So, instead of the 4.7 or 5 per cent projected increase that we were talking about, we have delivered a 1.6 per cent increase. So, it is contrary to the sort of message that the shadow treasurer and perhaps Access Economics are seeking to portray: that this is a profligate government spending money like a drunken sailor and throwing it around wherever it happens to be. We are being attacked by many for not spending enough and for cutting. Our budget papers are showing that we delivered a budget last year where our total outlays were significantly less than we had estimated in real terms at the start of last year.

Mr FOLEY: It is quite novel to be grouped with Access Economics. I want to come back to this point of the budget. It is not just Access Economics. How do you respond to the criticism of Standard & Poor's who make it clear that:

As the annual expenses of running the government exceed operating revenue, the net worth is, in fact, declining over time.

This is a comment that worries me greatly, and I will try to come back to it a little later. Standard & Poor's is saying what the opposition has been saying right from the beginning of the ETSA sale process when you got the green light from the Upper House: that the government appears to be spending somewhat more than the ongoing savings from the electricity privatisation. Do you agree with that comment by Standard & Poor's?

The Hon. R.I. Lucas: No. You cannot spend money twice. If we produce a balanced budget—which is what the government has produced—again, the proof of the pudding will be in the eating, as I said in response to the earlier comments about Access Economics and various other learned commentators. Ultimately, who will be proved right will be demonstrated by the performance this year. We believe that we will produce a balanced budget. If that is the case, we will be able to sit here next year and say, 'Let's talk about Access Economics and Standard & Poor's and others.' The press release from Standard & Poor's relates to the debate that we have already had, and that is in relation to accruals: Standard & Poor's is looking at the issue of accrual accounts. Unless the member wants to repeat his view and my view, in the interests of getting through as many questions as possible today, I do not intend to put my position again: it is on the record. We obviously respect the views of Standard & Poor's but we are not in the business of slagging Standard & Poor's, Access Economics and others. We are interested in their comments but, in the end, we will have to demonstrate that we can deliver a balanced budget to show that any concerns they might have had were unfounded.

Mr FOLEY: I find it interesting that the Treasurer is now acknowledging, obviously, that he is receiving significant criticism from not just national commentators such as Alan Mitchell but also from respected authorities such as Access Economics and Standard & Poor's. It is not bad when the opposition has organisations such as those to assist it in its process of picking to pieces the government's budget. What I am getting at and, clearly, what Standard & Poor's is saying, as we have said all the way through, is that the debate about selling ETSA has been lost. The government won that battle and it is removing a substantial amount of state debt as a result. But the critical issue now is the budget bottom line. Are we in a better position with respect to the budget bottom line than we were in the past? My fear (and it is confirmed by Standard & Poor's and Access Economics) is that, particularly as you lead up to the next election and the desperation stakes are increased for a government that is attempting to buy its way back to power, it will let loose in terms of government spending in an attempt to try to somehow buy its way back into office.

The Treasurer said before that you cannot have it each way. The simple point that he has not concentrated on is just exactly what the government is spending its money on. I am happy to list off a number of projects that I would say are examples where government has not managed expenditure properly. I can think quickly of the government radio network contract, \$250 million and climbing; and blowouts in some major capital works projects which become a common occurrence: the wine centre and the lovely rose garden, Hindmarsh Soccer Stadium, the Convention Centre—indeed, the Premier acknowledged at the estimates committee last year that it would be well in excess of what was originally budgeted. Those matters compound all the way through and give rise to some of these issues. In particular, this budget is forecasting for 2000-01 a 9.3 per cent increase in capital works, which is in any terms clearly a substantial increase in capital, and which again I would say is underpinned by the view of Access Economics that it is almost a pump priming exercise to keep the state's economy in some degree of robust nature as the government leads into the end of next year with a state election.

What is obviously of concern (and I refer to table 2.1 on page 2.3 of budget paper 2) is the full estimates, particularly

2002-03 and 2003-04, where capital works is expected to decline in 2002-03 by 6.3 per cent and in 2003-04 by 3.3 per cent. Can the Treasurer comment on the capital works budget explosion over the next year and the forecast downward trends in what would appear to be the first couple of years of the next government, whoever that is?

The Hon. R.I. Lucas: This is the only estimates committee I attend where the questions are longer than the answers. I will try to remember all the questions. First, I do not think that the member should delude himself that Standard & Poor's or Access Economics, if asked to line up the economic credentials of this government and what it has done and what the opposition is promising to do, will side with the opposition on these issues. If he has that view, I think he is sadly mistaken. There is a very strong endorsement of the hard and tough decisions this government has taken. They have criticised a number of aspects, but in terms of some of the hard and tough decisions that this government has taken, particularly in the last couple of years, there is a very strong endorsement. It was for that reason that this state's credit rating went from AA to AA+.

Mr Foley interjecting:

The Hon. R.I. Lucas: Ultimately, we have—

Mr FOLEY: Unlike Victoria.

The Hon. R.I. Lucas: Ultimately, we will have to be able to do what Victoria has done: it has delivered significant surpluses and got rid of virtually all its debt.

Mr Foley interjecting:

The Hon. R.I. Lucas: That is the goal that we have to work towards. If you ask Standard & Poor's and Access Economics to line up the economic credentials of this government with what the shadow treasurer and the Leader of the Opposition are promising, I know what the response would be—not that they would say that publicly, I am sure. So, I do not think the shadow treasurer should delude himself that Standard & Poor's is endorsing his economic credentials in relation to this issue.

In relation to whether we are better off, the answer is 'Yes'. The member's second question was: are we any better off than when we first started? We had a cash deficit of \$300 million a year, and growing, under the member's previous government. We now have a balanced cash budget; and, even if one wants to accept the opposition's criticisms of this year—1999-2000—where we have a \$39 million deficit, it is a quantum leap in terms of improvement to the mess that was left. The shadow treasurer asked: are we any better off than when we started?

Mr FOLEY: That's what I said.

The Hon. R.I. Lucas: That is what you said. The answer is: yes, we are, and by a very significant margin in terms of the \$300 million, and growing, cash deficit. Heaven knows, if we had done the accounts in those days, what they would have shown. As I said, the Labor Party did not want to know about those sorts of issues. That was all too difficult for the Labor Party. This government has been prepared to tackle that issue in the last three years—the last two years in particular—in terms of producing accrual accounts.

In relation to capital works, it is again the same story as last year. A significant number (we will have the numbers by 30 June, or soon afterwards) of capital works projects in portfolios have been delayed for a whole variety of reasons. I am sure that individual ministers, in their estimates, will give their particular reasons. As a result of those delays, they then move over into the following financial year, 2000-01, and we will therefore see this 9 per cent or 9.5 per cent

projected increase over the estimated result for 1999-2000. So, that is the explanation for the 9.3 figure in terms of capital works for 2000-01. It is very significantly, but not solely, a result of issues that have flowed over, together with some strategic investment decisions that the government has taken in relation to capital works infrastructure.

There are major projects, which the Premier talked about yesterday and which other ministers will talk about, which this government believes we need to deliver on to produce the economic revival that is needed by the state. We are, therefore, spending a significant sum of money on the river bank precinct. We believe that that is an exciting project that will do a lot for the state's development, and we see it as being a very important capital infrastructure development together with things such as railways, hospitals and a variety of other programs that various ministers have announced in recent times.

Mr LEWIS: Following on from that theme (and I refer to page 3.1 of the Portfolio Statements), can the Treasurer provide information on whether or not we still have any high interest rate borrowings on our books, such as the Labor Party so cleverly negotiated during the 1980s? What is the duration of the borrowing term? What is the average duration; what is the longest duration of any of the debts we have, and what is the shortest duration of any of those borrowings we have made?

The Hon. R.I. Lucas: There might be further detailed information I can provide to the honourable member later, but I understand that the highest interest rate we have at the moment in terms of previous borrowings is 15.07 per cent. These borrowings were taken out by the previous (Labor) administration over 10 years ago, and we are grateful that in the next few years they will mature. I am told that the average borrowing cost for this current quarter is around 8.5 per cent.

The lowest interest rates would be in the ball park of 5 per cent or so. They would be the more recent interest rates, obviously, and by 'more recent' I mean the last two to three years rather than the last few weeks. They would be of that order, and I can get some idea of that for the honourable member. In terms of length of loans, I do not have the advice with me but I recall from previous advice that the longest loan still outstanding is about 40 years. There are not many of those, and there are also very few of the 15 per cent loans.

Mr LEWIS: As a supplementary question, what were those high interest rate borrowings for?

The Hon. R.I. Lucas: Just general financing of whatever our debt happened to be at the time. At that time, interest rates were of that order. Those borrowings would have been taken out in the late 1980s. I do not know if the honourable member had a home loan mortgage at about that time but there were numbers much higher than that. If you were making a quid in business you were probably also paying significant lumps of interest. That was just the ball park at the time, in terms of generally financing our state debt.

Mr LEWIS: Will the Treasurer tell the committee what the proportion of offshore to domestic debt is, from that same document, the Portfolio Statements?

The Hon. R.I. Lucas: I am told that around 70 per cent of SAFA's external borrowings have been sourced from the domestic market. Obviously, offshore borrowings are undertaken only if they provide an economic cost advantage over domestic borrowings. In terms of offshore borrowings, as you would expect, no foreign currency exposures are allowed, so all foreign currency borrowings are swapped back to Australian dollars at the time of undertaking the borrowing.

Mr LEWIS: Does the Treasurer have a list that he could provide to the committee, not necessarily today, of the assets held by the 'bad bank' and their most recent valuation? How much money is there, how much in assets is there?

The Hon. R.I. Lucas: I think I will need to take that on notice. However, I am quickly advised that virtually all the assets of SAAMC, the 'bad bank', are liquid or financial assets now, working our way through managing the various liabilities we have. We evidently have a building in Wakefield Street, but I will obtain further advice for the honourable member. Largely, it is just over \$2 billion worth of financial assets that are being used to manage various liabilities over a period of time. Other than the building in Wakefield Street, that would appear to be all that SAAMC has by way of its assets.

Mr LEWIS: Could we have a balance sheet of that vehicle called, in the vernacular, the 'bad bank'?

The Hon. R.I. Lucas: I am happy to provide information along those lines for the honourable member and provide it to the committee.

Mr FOLEY: I would like to concentrate on the 'bad bank'. I note that, for the second budget running, dividends from the 'bad bank' totalling \$170 million have been withheld (Page 7.7 of the budget). The budget states:

The Treasurer can repatriate capital from SAAMC or determine any surpluses of SAAMC from any year to be paid into consolidated account or otherwise dealt with at the Treasurer's discretion.

The alarm bells start ringing on this one, because it seems to me that there is a nice little hollow log building for government. What is the value of the current retained dividends and cash surpluses within the 'bad bank'?

The Hon. R.I. Lucas: I am horrified that anyone would suggest that we have a hollow log. I am told that the net assets are about \$280 million dollars. In terms of the returns to the budget of these dividends, the statement the honourable member has quoted is a very accurate assessment of that and a number of other areas of the budget. Ultimately, the cabinet and the Treasurer need to come to a landing in relation to a number of these issues.

The interesting corollary of the honourable member's question is that, if the government had taken the same amount of SAAMC dividend in 1999-2000 as it was originally going to, which was \$201 million, then we would have been reporting a \$160 million surplus in 1999-2000. So, the corollary of the honourable member's question is self-defeating: it is working against some of the other lines of questioning that he has been trying to develop in terms of unsustainable budget positions that this government has.

The simple reason for the delay of SAAMC dividend is in part answered by some of the earlier questions. There is an inevitable delay in spending from government departments and agencies, both recurrent and capital, from one year to the next, 1999-2000 to 2000-01. I refer the honourable member to the budget paper figure where, instead of having a 4.7 per cent increase in total outlays in real terms we delivered a 1.6 per cent increase. What you have is a deferral into another year of a large amount of expenditure.

The money to fund it is just following the expenditure. We were going to bring to account \$201 million in 1999-2000 to pay for this spending: the spending did not go ahead and we have therefore just delayed the SAAMC transfers to next year and the year after. If some are delayed longer than that, I suspect that that will not worry the shadow Treasurer anyway.

That is the current thinking, but let me be quite clear, as I have in the past: when I lived in opposition, what I would

call the balancing item that John Bannon, Mr Foley and others and their advisers used in every budget at June 30 was SAFA dividends. Sometimes there would be a turnaround in the budget—one year I remember it was \$400 million—as to what was projected to come into the budget.

Governments of all persuasions have a number of balancing items so, when expenditure goes up or down, they need to have revenue items that are capable of being able to go up and down to deliver the end result that is the objective of the government. If we had done what was originally intended with SAAMC, that is, deliver, we would have been reporting a \$160 million surplus. The shadow treasurer would have congratulated us roundly and all the economic commentators would have said what a wonderful job we had done in delivering a \$160 million surplus. We did not think that was a fair reflection of the budget position because the expenditure had not been expended in that year. We could have taken the cheat's way out and reported a massive surplus, but we were trying to be open, transparent and accountable, as we always try to be.

Additional Departmental Adviser:

Mr A. Anastasiades, Chief Executive Officer, South Australian Asset Management Corporation.

Mr FOLEY: I am extremely interested in the figure of \$280 million that is sitting in the bad bank, and I might well have congratulated the Treasurer if he had produced a budget with a \$160 million cash surplus, which surplus would have gone towards the debt. What interests me is what the government intends to do with this large sum of money.

The Hon. R.I. Lucas: Spend it.

Mr FOLEY: You are going to spend that large sum of money? That is an interesting admission.

The Hon. R.I. Lucas: What else would you do with it?

Mr FOLEY: Pay it off debt. Let us work through what the government is going to do with that money next year.

The Hon. R.I. Lucas: I just explained that to the honourable member. Allocations of money for particular programs were not spent in 1999-2000, so that goes over to the following year. The money has to be spent in the following year, so we need to have the money to provide for the program. It does not work exactly like this, but in essence in the budget for 1999-2000 the money from SAAMC that was to be provided for that program follows the expenditure.

Mr FOLEY: What is the difference between the amount of money retained in the bad bank that is already committed to expenditure lines and the net balance?

The Hon. R.I. Lucas: It does not go into particular expenditure lines. It goes into Consolidated Account. I hope the shadow treasurer understands the nature and shape of the budget. We do not say that this \$50 from SAAMC will be spent on that school. What happens is that X dollars from SAAMC, and everywhere else, comes into a big bucket called Consolidated Account and we give the money to ministers to spend. We cannot say that this \$1 in SAAMC goes to this school in Moonta.

Mr FOLEY: Is the Treasurer saying that the \$280 million retained within the bad bank is committed to existing expenditure?

The Hon. R.I. Lucas: No.

Mr FOLEY: So it will be new expenditure.

The Hon. R.I. Lucas: What I am saying is that a component of SAAMC dividends was to be allocated in 1999-2000

for expenditure and a component of that is being deferred to future budget years, some for 2000-01 and some for 2001-02.

Mr FOLEY: What are you going to do with the balance?

The Hon. R.I. Lucas: The balance that was unallocated remains in SAAMC.

Mr FOLEY: Will the government drag that forward into next year to fund its pre-election budget?

The Hon. R.I. Lucas: That will be a budget decision that cabinet and much wiser heads than I as a mere Treasurer will have to take.

Mr FOLEY: Will the Treasurer now put an estimate on that figure? The government has a sum of money in the bad bank that it is preparing to use in the lead-up to the next state election. I would like to know how much that amount is.

The Hon. R.I. Lucas: There is nothing wrong with this money: it is money that the state owns. It is available should the government decide in any particular time frame to expend it.

Mr Foley interjecting:

The Hon. R.I. Lucas: The money exists within various government departments and accounts and, in this case, within SAAMC.

Mr Foley interjecting:

The Hon. R.I. Lucas: Should the shadow treasurer ever be Treasurer and there is money left in the SAAMC accounts, he will have the capacity to do that. If he wants to make a policy commitment today, I challenge him to make a statement now that every budget line like SAAMC—

Mr FOLEY: No, I asked the question.

The Hon. R.I. Lucas: Let me put the challenge. If there is no response, we will know what the hypocrisy of the honourable member's question is. I challenge the honourable member, should he ever be Treasurer, to state that every account in every agency will be brought to account and paid off debt without being used for expenditure. We will not get that commitment from the shadow treasurer, and I do not think that anybody would expect him to give that commitment.

Mr FOLEY: Given what the government will do with this money, I suspect there will not be much left for a future Treasurer. Is the Treasurer able to put a date on when the government thinks the bad bank will be wound up?

The Hon. R.I. Lucas: 2004 is the projected closing of accounts, and that is in the context of how the liabilities and assets are wound out. There is a staged program in terms of how the debt or liabilities are managed in the best interests of the taxpayers, so 2004 is the projected date.

Mr FOLEY: Payments from SAFA to government are set to fall to \$22 million and then to \$9 million and go back up to \$31.5 million in 2003-04. Will the Treasurer explain those movements?

The Hon. R.I. Lucas: It is a similar discussion to the debate we have just been having. It is a judgment that cabinet, based on advice from myself and Treasury, will take in relation to when the government believes it should bring to account some of those dividend flows.

Mr FOLEY: I note that the government expects to receive \$50 million from the operations of SAFA this year. As the annual report for SAFA is not yet available, what is the anticipated operating surplus for SAFA for 2000-01 from which this dividend comes?

The Hon. R.I. Lucas: I will need to take some advice on whether or not I should place on the public record the projected operating surplus of SAFA. I am happy to have a further discussion with the shadow treasurer after I have

taken that advice. The figure that the member used is \$50 million. We are not looking at sufficient profit, putting it in its broader sense, in 2001 to generate that. We would be looking at whatever we make in 2000-01 plus some repayment of retained earnings, which is similar to the SAAMC debate to which I referred earlier.

[Sitting suspended from 12.55 to 2 p.m.]

Additional Departmental Adviser:

Mr Rick Harper, Chief Executive Officer, Funds SA.

Mr MEIER: I refer to budget paper 2 in relation to the Budget Statement. Has Funds SA changed its investment strategy in the past year?

The Hon. R.I. Lucas: This is an issue on which we touch each year in terms of the investment strategy of Funds SA. The introduction of member choice from July last year saw a move from a single investment strategy for all funds to five separate investment strategies. I think we call them 'growth', 'balanced' and a variety of other names such as that, so various options have been given to members in terms of these strategies.

The four strategies within the Southern States Superannuation Scheme were designed to fit within a member choice program. The balanced option receives a contribution from members who do not make an election under choice. Its growth assets-debt assets mix was set at 70-30, slightly down from the previous numbers of 75-25. The reasons for this move relate to the need to position the strategy within a range of offerings to scheme members and to provide a default strategy which is broadly competitive with comparative products in the marketplace.

In broad terms, the growth strategy has a mix of growth assets 90 per cent and debt assets 10 per cent; balanced is 70-30; conservative 40-60; and cash is zero growth and 100 per cent. This is technically an issue not for Funds SA but, rather, for Super SA. I understand that, while all those choices are provided to members, the vast majority are choosing the balanced option. Nearly 11 000 have chosen the balanced option, which is the safest option; about 700 have chosen growth; only 13 have chosen conservative; and five have chosen the cash option. So, the overwhelming percentage of people are staying where they are at the moment. It may well be something which evolves over time as people become more confident about choosing a particular investment strategy. Clearly, those who are choosing are those who are prepared to take a punt on the growth strategy as opposed to the more conservative options.

Mr MEIER: What investing does Funds SA do in South Australia?

The Hon. R.I. Lucas: Again, this issue is raised most years, so we have endeavoured to try to provide some information to assist members this year. Funds SA works on a 'managing managers' approach, which means that Funds SA itself does not dictate the geographic allocation of investing within Australia. Therefore, it does not dictate investment within South Australia specifically. The advice from Funds SA is that the investment level, nevertheless, within the state is still significant. It is difficult, obviously, to estimate exactly because national companies might be headquartered somewhere else but have a very strong presence in South Australia, and the current version—or soon to be old version—of BHP is an example of that. There is a

very strong presence of BHP in this state, albeit that it is not the headquarters of BHP.

Advice I have been given is that big companies in South Australia such as Coles Myer, BHP, Woolworths, etc., employ many more South Australians than many of the listed South Australian companies because of their size and employment profile. However, Funds SA has endeavoured to do an estimate of exposure to South Australian operations. Going through all the various asset bases from property, indexed bonds, Australian equities, etc., it is estimated at around about \$400 million to \$450 million which, according to Funds SA, is about 10 per cent of its total investments.

Mr MEIER: In simple terms, what is Funds SA's investment approach?

The Hon. R.I. Lucas: I think, again, it will not surprise members to know that it continues to be much the same as it has been in the past, that is, spreading risk and diversifying. In terms of diversification, spreading of asset classes is being employed to ensure not too great an exposure to any single class; and spreading different investment managers so that you are not locked into one particular investment manager. This is the 'managing the managers' approach so that you are not excessively exposed to the investment approach that one particular investment manager might have. The combined portfolios contain a wide spread of stocks to ensure that the performance of individual shares or bonds do not impact on performance excessively. There are a number of other ways in which Funds SA is minimising the risk and maximising the returns of its investment. But, spreading the risk and diversification, in particular, are the key elements of its strategy.

Mr FOLEY: When will Funds SA open up the options of the various different funds to those public servants or people who have been in the employ of government but who are non-contributory members of the state super scheme?

The Hon. R.I. Lucas: Open them up to what?

Mr FOLEY: To those people who have funds in Funds SA but who are not contributing to their own superannuation. They do not have access to the growth option; that is the question.

The Hon. R.I. Lucas: I am told the first quarter next year.

Mr FOLEY: Next financial year?

The Hon. R.I. Lucas: The September quarter this year, so July to September this year.

Mr FOLEY: I have asked this question previously in relation to the federal government's legislation of investor choice for members of superannuation funds, which I understand is stalled in the federal parliament. First, we do not know whether the legislation will pass but, assuming that it passes, does that affect state government superannuation schemes, and, if so, what is the thinking of how we would manage the potential movement of members in and out of our state schemes?

The Hon. R.I. Lucas: We are not clear whether it will get unjammed, if ever, in the commonwealth parliament. I am not sure whether the member for Hart has any greater knowledge of that than we do, but it is certainly stalled there at the moment. I am advised that, because we are a constitutionally protected scheme, the state would have to make a decision to head down the path even if the legislation were passed. It would not apply to us automatically. The government has not yet made the decision about whether or not it believes we should do that.

Should the government decide that that was the case, we would then, I am told, have to bring legislation to the parliament. The parliament would have to express a view and

agree or not that it was sensible to go down this path. Three hurdles are to be jumped, none of which have been jumped yet. The first hurdle, obviously, is getting it through the federal parliament. Secondly, as a government we would have to make a decision that we want to move down this path. Obviously, we would have to bear in mind what other governments were doing. If every other state government was giving this sort of choice to its members that would be a factor. Conversely, if every other government decided not to that might also be a factor in our thinking.

Should we get over that second hurdle we then have to get over the third hurdle, which would be legislation in the parliament where the parliament can either agree or not. In terms of the impact, the safest response is that we do not know at this stage. Until we see the colour of their eyes, that is, the final detail of what the legislative package might be, we are obviously not in a position to give informed advice. Even then a good degree of guesswork will be involved in terms of what the impact will be.

Mr FOLEY: It certainly will be an interesting issue, and, if it does occur, a nice policy problem for whoever has that responsibility in years to come. I notice in the budget papers that this year Funds SA and subsidiaries have provided \$18 million of income tax equivalents. It had not done so in the previous budget year. Treasurer, could you advise the committee the nature of that income tax equivalent, and I refer to Estimates Statement, budget paper 3, 'consolidated account, estimates of receipts' (page 57).

The Hon. R.I. Lucas: You are talking about the \$18 million figure?

Mr FOLEY: Yes. Can you explain that to me? It might be a silly question but I am trying to work out what that \$18 million is.

The Hon. R.I. Lucas: I will take that question on notice. I am not entirely clear why there would be a tax equivalent payment in this coming budget and none at all in the previous budget. We will need to take some advice on that.

Mr FOLEY: I asked that question because I thought I might be missing something, but I am glad the Treasurer is missing it, too. Could the committee be provided with a list (this may appear in the annual report, and if it does I am happy to wait until then) of the fund managers used by Funds SA. I would particularly like the fund managers identified, for what length of time they are appointed and, if possible, some commentary as to why a particular fund manager was selected.

The Hon. R.I. Lucas: We are happy to provide that. Some of that information is available in the annual report and on the web site but, clearly, lengths of term, I presume, are not. In relation to the further questions, we will take some advice and provide as detailed a response as we can.

The Hon. G.A. INGERSON: Some time ago I remember having a discussion with the previous Treasurer about the difference in the return in the funds invested in WorkCover and Funds SA. I know that there has been a change of policy in respect of Funds SA. Has there been a significant improvement in the return on funds over the past three to four years in relation to Funds SA, and is it as a result of the movement to the managing scheme?

The Hon. R.I. Lucas: The simple answer is, 'Yes'. I am told that, for most of the past three years, the performance of Funds SA has been in the top quartile of funds managers nationally. That is a pretty fair independent benchmark, I suppose, of the performance of funds. For most, if not all, of that period it has performed pretty well compared to those

benchmarks. I am also advised that the three and five year real returns after inflation of 13.8 per cent per annum, which is the three-year figure, and the 9.9 per cent are well above Funds SA's long-term investment target of exceeding 4 per cent per annum after inflation over a five year rolling period.

The targets were 4 per cent and they have landed on 13.8 per cent and 9.9 per cent on a three and five year real return. They have been encouragingly good performances from Funds SA and it is a credit to the board. I pay tribute to the board and Helen Lynch in particular. I also pay tribute to the hard-working management and staff who are present. I am sure that Rick Harper will be the first to acknowledge that he is coming in at the tail end of all the hard work that everyone else has been doing. He will continue that, obviously. I thank Lew Owens and the rest of his hard-working staff, together with the board. It has been a terrific combination in the interests of the state.

Sometimes one can look back and say 'congratulations' to ministers or governments who have appointed key people into various areas. This is one occasion where a good decision was taken by a number of people. Obviously, that needs to continue. Mr Owens has now moved on to other challenges as the Independent Regulator. We believe that he will be a first-class appointment in that area. We look forward to the efforts of Mr Harper and the team, together with the board—which will inevitably change; people cannot stay on that board forever. If they can maintain the performance level of the past few years that will be to the benefit of the state and the members.

The Hon. G.A. INGERSON: It is good to see such a marked improvement because the major benefactors, of course, are the members of the scheme. There was a very significant difference between the performance of the two investment funds that are run at different levels. It is fantastic to see.

Mr FOLEY: When I was briefed as shadow treasurer by officers of FundsSA and consultants working for FundsSA, I was given to understand that the proceeds of the sale of the Adelaide Casino were the property of FundsSA. Indeed, some time ago in an *Advertiser* article the Treasurer indicated that it was the property of FundsSA. What was the expectation of FundsSA with the receipt of the sale? Clearly, when I was briefed some months ago, the expectation was that all proceeds went to Treasury and became part of FundsSA's assets. Obviously, something happened along the way. What happened along the way, and what discussions occurred between the government and FundsSA over that issue? When the sale process was under way, I was advised that all proceeds of the sale would be the property of FundsSA. The government itself made a decision that that would not be the case. What discussions occurred between the government and the board of FundsSA on this matter?

The Hon. R.I. Lucas: I am not sure about the second part of the honourable member's question. As a result of our discussion this morning, my advice is that the proceeds from the sale of the Casino—when that sale occurs; it has not happened yet, as they have been going through a probity process for the past few months—will stay within the accounts of FundsSA. In the second part of the honourable member's question, he is intimating that he was briefed such that the proceeds would stay within FundsSA but the government changed that: I am not sure what the honourable member means.

Mr FOLEY: I tripped up a little in trying to explain that. Clearly, I was talking about the unfunded liability of

FundsSA and how FundsSA would take all the proceeds of the sale of the Casino and the effect that would have. The point is that, from last year's budget, the government itself clearly had an obligation to fund a certain level of unfunded liabilities this year, which it is now not doing through that transaction. What comments can FundsSA make about the discussions that occurred between it and the government? The Treasurer talks about a premium on the sale: how does he determine what the premium on the sale was?

The Hon. R.I. Lucas: This is the same question we had a couple of goes at this morning, and the government's position has not changed. The member for Hart is now accurately describing the situation, that is, when the funds are paid to FundsSA, they will stay within the accounts of FundsSA. The government has made a deliberate decision, clearly articulated in the budget papers, for 2000-01 to reduce the previously estimated contribution towards past superannuation liabilities. However, having done that—and I said this morning but I will repeat it—I am told that as of June this year (and we will still be in this position in June next year) we are either on schedule or ahead of schedule in terms of the repayments. It is not as though we have this 40-year plan to refund and, after looking at the years we have been in control, find that we have dropped behind. As of June this year, we are actually ahead of schedule and will still be either on schedule or marginally ahead of schedule in June next year. We are staying on track. For the reasons we have explained this morning, we have just taken a conscious decision to put in less in past service super in this coming year than we were going to do.

Mr FOLEY: What was the premium on the sale?

The Hon. R.I. Lucas: The issue for us is more particularly what we chose to put in, or not put in, in terms of past superannuation.

Mr FOLEY: Was it \$86 million?

The Hon. R.I. Lucas: The government can do nothing in terms of what sum goes into the FundsSA accounts. As I said this morning the government's viewpoint is a policy decision we had taken that would mean we could have continued to put in past service superannuation at the previously estimated level, together with the additional calculation involving the premium to the FundsSA accounts from the sale of the Casino, and we would have then been even more ahead of schedule in terms of the repayment of superannuation liabilities. We took the decision to say, 'We are either ahead of schedule or on schedule at present. Through the sale of this asset, FundsSA will get X dollars. Therefore, we will reduce the payment into FundsSA for past service super.'

Mr FOLEY: When the Treasurer did his budget last year, FundsSA had an expectation of what it would get for the Adelaide Casino. That was clearly factored into his budgetary thinking in terms of what he needed to allocate each year to meet the unfunded liability. The government has obviously received more for the Casino than it expected, which has assisted the Treasurer in what I would call the fiddle.

The Hon. R.I. Lucas: The member does not necessarily have an accurate view of the flow of funds from government to FundsSA in relation to past service superannuation. If you go back over the past three or four years, you see that, at some time around the end of the financial year, an adjustment has been made—and it obviously has been reported, as it has to be—in terms of the level of contribution of past service superannuation. One of the adjusting items for under spending in the past has tended to be, say, SAMC, which we discussed this morning. One of the other options for govern-

ment is to adjust its level of past service superannuation. In one year there was a significant difference in repayment of superannuation for those reasons.

Mr FOLEY: 1998-99?

The Hon. R.I. Lucas: Going back even further than that. In 1997-98—and if this is an incorrect interpretation, I will correct it when the answers come back—the budget for past service superannuation was going to be zero, but we put in \$264 million. We put in \$264 million more than we budgeted. In the previous year, 1996-97, we budgeted \$21 million and we put in \$151 million. I will just double check where it says 'budget' and 'actual' to ensure that I have interpreted it correctly. Past service superannuation has tended to be what SAFA was for the Bannon government in the 1980s (and we were talking about this this morning): an item that was used at the end of financial years to balance various items and end budget results.

Mr FOLEY: You are critical of the Bannon government's doing that, but you are now saying that you are doing exactly the same thing.

The Hon. R.I. Lucas: We are not using SAFA. We are quite open about it; we are not pretending otherwise. We are being transparent and accountable. We are saying we are using both SAMC—

Mr Foley interjecting:

The Hon. R.I. Lucas: No, that is not what we are saying. We can have this discussion again if the honourable member wants. When expenditure is not spent in a particular year and it goes over into the following year, the money needs to follow it: it is as simple as that.

Additional Departmental Adviser:

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

The Hon. G.A. INGERSON: Can the Treasurer update the committee on the MAC sponsorship program and how it aims to curb the trauma of road accidents?

The Hon. R.I. Lucas: MAC has finalised its sponsorships for 1999-2000 and is currently working through its sponsorships for 2000-01. I am told that 19 applications have been assessed by MAC, each requiring a signed MOU (memorandum of understanding) before funds are made available. There is also some ongoing sponsorship from previous financial years.

In this year sponsorships include mass media road safety advertising (which is done through Safety Strategy Area Transport SA); South Australian Road Transport Association Driver Safe; SAPOL (which is the traffic information and promotion section); Passenger Transport Board (which is the late night bus service—Night Moves); History Trust of South Australia; the Risky Business Cafe; SPARC (which is a choice, recreational and rehabilitation program); the RAH, Spinal Injury Occupational Therapy Intervention Project; Hampstead Centre; and the Spinal Research Fund are the key ones that were sponsored in 1999-2000. A number of those may continue into 2001 but, as the member has indicated, a very large part of it is directed towards driver behaviour, vehicle safety, safer roads and roadsides, post accident support and medical research related to road trauma victims.

The Hon. G.A. INGERSON: Can the Treasurer indicate the number of activities the Motor Accident Commission plans to implement as part of its ongoing campaign to combat fraudulent claims?

The Hon. R.I. Lucas: The latest estimate that MAC has put together on fraudulent claims is that about 5 per cent of claims payments are paid in fraudulent claims. I am not talking inconsiderable sums. Their estimates of costs to the CTP fund are in the vicinity of about \$10 million a year. In 1995, 1997 and this year MAC, together with SGIC, has conducted successful campaigns and generated a significant number of calls from the public. The estimated result of savings to CTP funds was at least \$2 million. It is expected that more savings will accrue as a number of matters are still being determined by the courts. The year 2000 anti-fraud campaign cost approximately \$115 000. This year, the number of calls is up on previous years, involving about a 30 per cent increase on 1997 calls as a result of that campaign. Overall, MAC has been pretty happy with the success of its campaign.

The Hon. G.A. INGERSON: How has the Motor Accident Commission's investment strategy performed in the light of the recent uncertainties in financial markets and, as a side issue, how does it rate relative to returns in Funds SA?

The Hon. R.I. Lucas: I will take the second question on notice and bring back a more detailed response. Regarding the first part of the question, I obviously have some answers that have been provided to me by MAC. At 30 April the total investment assets were just over \$1 billion. The year to date performance to 30 April for the MAC fund was 6.2 per cent compared to 5.1 per cent for the year to date benchmark. Comparative figures for the financial year ending 30 June 1999 were 7.9 per cent portfolio return against a benchmark of 6.3 per cent. Its asset allocation strategy is, very significantly, fixed interest 64.5 per cent; cash 6 per cent; and Australian equities 15 per cent. When you look at international equities with 4.2 per cent and indexed bonds 5 per cent, direct property 2.8 per cent, listed property 2.5 per cent, it must be acknowledged that the liabilities of MAC are of a different nature and type to, in essence, the needs and requirements of Funds SA.

Obviously, whilst we can give the member some broad figures after we have done some work, I think we would have to comment that it is not entirely an apples and apples comparison because of the long tail in some of the liabilities that MAC might have. If you have a quadriplegic at the age of 20, for example, you have a liability that goes out for possibly 60 or 70 years. I do not know what the actuaries budget for—maybe 55 years if it is a male, or something like that. So, it is a very long tail in terms of the liabilities. So, in itself, that necessitates a slightly different approach. We would be happy to try to obtain some information and provide it to the member.

The Hon. G.A. Ingerson interjecting:

The Hon. R.I. Lucas: I think MAC's chief executive's view is that that would be probably a better comparison. However, again, they would still argue that there is a difference in terms of the shape and nature of the liabilities that MAC confronts compared to those that WorkCover would confront.

Mr FOLEY: I refer again to page 57, Estimates Statement, budget paper 3, 'Estimate of receipts'. MAC's dividend of \$10 million, which was budgeted in 1999-2000—surprise, surprise—was not paid in 1999-2000; it reappears in this budget year. Is it expected that this dividend will, indeed, be paid in this budget and what are the accrued dividends, if any, that are being held within MAC at this stage?

The Hon. R.I. Lucas: Yes, the expectation from the Treasurer and from the government is that the performance

of MAC through the coming year will be such as to enable a contribution. We obviously need to have that discussion with the chief executive and the board for each particular year. I think it is fair to say, if I can put the board's position, that it would probably be happier at higher levels of premium increases than governments, and perhaps oppositions, might like in terms of premium increases. The performance of MAC has been influenced in part by the decision that the parliament took (including the member for Hart and his spokesperson from this chamber, on behalf of the legal fraternity in South Australia), where the government had an expectation of being able to achieve some cost savings to the scheme which would have improved the overall health and vitality of the fund. In the end, without revisiting that debate, that was not able to occur. I think it is fair to use that as an example that the board generally, rather than speaking about specifics, would be more comfortable with a higher level of premium income in addition to what it can obviously do in terms of investment income, to improve the solvency levels of the Motor Accident Commission and therefore, obviously, its capacity to make payments to the state.

Mr FOLEY: What is the cash surplus in the MAC? Is the Treasurer able to provide some figures in that respect?

The Hon. R.I. Lucas: The net asset figure in the CTP fund of MAC was about \$71 million at the end of June 1999. But there are some important issues in relation to solvency requirements for insurance funds, of which the member will be aware. The private sector target is a 15 per cent solvency figure, and that \$71 million is obviously the figure that generates our equivalent of the target of 15 per cent. At that time, I think we were around about 5 per cent or 6 per cent solvency. So, knowing where the member is wanting to head, I think the answer to the question is that this government and future governments are unlikely to be able to see the MAC as a source of end of year balancing act as you might be able to with superannuation funding or SAAMC funding, to a degree, for a certain period.

MAC in the foreseeable future I do not think will ever be seen in that way. If it can make its \$10 million contribution to the budget every year, it makes that contribution. But then the rest of its investment income or premium income will be diverted, hopefully, to maintaining a reasonable level of solvency even if it cannot reach the 15 per cent figure. I understand that there is some discussion at national levels at the moment through APRA that that solvency figure for the private sector might go to 25 per cent. I am told that 40 is a figure also being mentioned, but I was only told 25. However, it is certainly much higher than the current figure of 15 per cent.

I am told that most of the private sector—but not all—are in the region of the 20s and 30s in terms of solvency. We are not the lowest: I think that Western Australia, according to the figures that we looked at last year, had a solvency level of about 3 per cent, or something like that. The bigger states have much higher solvency levels. Since June of this year, through a good management board and the staff, which I acknowledge, we have seen the last solvency figure nudging 9 per cent, 9.5 per cent. So, it is certainly an improved figure since June. Obviously, with respect to investment income, performance goes up and down, and that will obviously impact on that solvency calculation for the state.

Mr FOLEY: That leads to my next question, which relates to the issue of the ownership. There is still that open-ended question about the future of the Motor Accident Commission in terms of whether or not you, effectively,

privatise the Motor Accident Commission, sell the CTP. Where is the government at with its thinking in relation to that issue at this stage?

The Hon. R.I. Lucas: The government still has not made a formal public position on this matter. However, I think it is fair to say, from statements that the Premier and others have made, that it is highly unlikely that the government, when it does make its position formal and public, will head down the particular path that the member is talking about.

Mr FOLEY: If 25 per cent to 40 per cent solvency levels are on the agenda, it would be a politically brave government that chose to put that in the hands of the private sector.

The Hon. R.I. Lucas: I think that this government has demonstrated that it is politically brave, but whether it goes further than that would be an interesting issue. The full response to the member's question is that we have not as yet publicly formally responded. However, I can say, from what the Premier and others have said, that it is highly unlikely that we will head down that path.

Mr MEIER: Can the Treasurer update the committee on the Motor Accident Commission's sponsorship program and how it aims to curb the trauma of road accidents? The Treasurer outlined the various sponsorship programs. What saving would there be to motorists if the Motor Accident Commission did not undertake any sponsorship programs—in other words, how much money is being spent on sponsorship?

The Hon. R.I. Lucas: It is about \$3 million a year, if you just look at the cost of the sponsorship programs, I understand. That might work out at \$2 or \$3 a car.

Mr MEIER: Therefore, it probably is a minimum amount of money relative to the total amount collected for third party. Has any research been carried out on what sort of impact the sponsorship is having on reducing road deaths, or road accidents?

The Hon. R.I. Lucas: The member is quite right that the amount of money in terms of percentage of total premium income is relatively small; it is about 1 per cent, 1.5 per cent. At this stage it is impossible to quantify the extent of the benefit. The board, the management and various governments have accepted on the balance of probabilities that what is being done is a sensible investment, for a variety of very good reasons. We have the Night Moves example. If young people out of their mind with alcohol or whatever else in the early hours of the morning hop into a car to go home as opposed to hopping on a bus, and they write themselves off or write somebody else off, there is a significant increase in liabilities to the CTP funds.

Things like that are very important. The sponsorship of research, such as in the spinal research area that I indicated earlier and some others, is clearly on the basis that, if something can be done to minimise medium to long term the impact on people who go through a major trauma, that reduces the costs to the scheme. I am sure that, as the honourable member will acknowledge, that is almost impossible to quantify.

On the basis of making sound judgments about investment—and I think that these are sounder judgments than many others I have seen in my time—these are good investments by MAC on our behalf to try to encourage that sort of research or to undertake activities that will limit the number of accidents that might occur, which therefore reduce the short or long-term costs on the scheme. If you did not undertake that research or the Night Moves type of initiative, you might have more accidents and potentially the costs on

the scheme will be higher and, therefore, potentially the premium income for our constituents might also be higher.

That is the judgment that MAC has made over the years and will continue to make. MAC is pretty hard-headed in relation to sponsorships. As I indicated before, everyone signs an MOU. I remember receiving considerable lobbying as a result of MAC's insistence, with a road safety initiative of one of our government agencies that was very popular amongst members of parliament and constituents, that there be a rigorous assessment and evaluation of what was being done.

Everyone believed that this particular program was a good one, but the MAC board was insisting that there be some evaluation and documentation of that, rather than everyone feeling good about the program, which inevitably we do. MAC has been at the harder edge in trying to ensure that we get good value from the dollars it invests, and I pay credit to Geoff Vogt as CEO and Roger Sexton as chair. They have done a first-class job with the rest of the board and the staff generally, but particularly in this area.

Mr LEWIS: Supplementary to that, I am curious to know whether the Motor Accident Commission is undertaking or proposes to undertake research on the known users of narcotics, to find out what consequences there are, especially given the government's policy now of having that oxymoron, safe injecting rooms, for people. It is under active consideration, as I see it, and a greater number of people, regardless of age, are using narcotics and driving than before.

I am curious to know whether any research is being done after collisions involving injury or death, to discover from the blood samples of the drivers whether or not any of them contain levels of narcotics and how that appears to be affecting consequences. Alcohol is bad enough, but if we have to try to tackle a few other substances as well it will be pretty horrendous, and research as soon as possible is perhaps desirable.

The Hon. R.I. Lucas: I am sympathetic to the general request that the honourable member makes in relation to the need for research in this area. It is an issue on which I also expressed a view many years ago, so we are in the same football park on this one. However, MAC responds to submissions from funding: generally, it does not go out and specifically commission work. Organisations can apply for various research programs or safety initiatives, and those sorts of things. MAC advertises sponsorship funding applications and people can apply for those.

I have highlighted the RAH and spinal injury, Hampstead Centre and the Spinal Research Fund. A number of research organisations have applied in the past and been successful with various programs. In future funding rounds, if the honourable member is aware of someone who is interested in putting together a research proposal, I cannot give a commitment because it is a decision for the MAC board but the chief executive indicates that MAC would be happy to have it considered as a possible future funding grant.

Mr MEIER: Some years ago the premiums that people were paying to what was probably then SGIC compared to the claims being lodged against third party claims did not equal out: the premiums were not matching the amount being paid out. What is the situation today?

The Hon. R.I. Lucas: The differential to which the honourable member refers for 1998-99 is about \$20 million, so claims for that year were about \$258 million and premium income was about \$237 million. Obviously, through invest-

ment income and a variety of other mechanisms, that is how that turned around.

Mr MEIER: So, it is paying its way?

The Hon. R.I. Lucas: Yes. I think that the board would like it to pay its way a little more in terms of premium income, if I can paraphrase the view of the board and the chief executive, but we governments and parliaments have judgments that we make from time to time about the levels of premium income that should or should not be accepted by motorists in South Australia. I think that MAC understands that.

Mr LEWIS: I want to refer the Treasurer to paper 4, volume 1, page 323, and to those matters that relate to the expenses the government meets in providing offices for ministers and members of parliament and staff. What I would like to know is the three-year total for each electorate office of the cost of running that electorate office and for each minister's office, not the staff in it, but the rent, the repairs and maintenance, the energy costs, the cleaning costs and the theft equipment replacement costs. A more effective picture can be obtained by looking at it over a three-year term because of the blips that might occur in one year but not in another. Adding it all up would give us a total. That pretty well covers everything electorate by electorate, and I see that as relevant to the House of Assembly.

Will the Treasurer provide us with like information for the ministerial offices? I do not expect him to do so today, because I do not expect him to have that information on hand, even as brilliant as we know the Treasurer to be, with a elephantine memory second to none.

The Hon. R.I. Lucas: I am happy to endeavour to provide as much of that information as I can. I have a recollection of what the highest and lowest are but, for the sake of completeness I will not give them. They are etched in my memory. I am happy to do that for all 47 of the electorate offices for members, including members who are ministers. No Legislative Councillors have electorate offices outside because they have offices here in Parliament House. A section within Treasury and Finance is responsible for that area so, for the 47 electorate offices for members, some of whom are ministers, we can produce figures on rent and utilities—total costs such as that. Whether we have breakdown costs on some of the remaining classifications, I will have to take on advisement. I am told that we probably do not get to that level of detail. We will look at the question and endeavour to do as much as we can and, if the member is unhappy, he can seek further information through the forum of the parliament, after we have had our first go at it.

Mr LEWIS: Will the Treasurer provide the average annual cost in 1998-99 of the salary of a ministerial chief of staff, a ministerial personal executive assistant and, for the same staff member, the offices, that is, the posts occupied by people, 15 years ago in 1983-84, and likewise for MPs' electorate assistants so we can see what the variation has been over that 15 years? I am seeking the average salary paid to electorate assistants, which would not be too hard to get for the financial year 1983-84, and the average paid to a chief of staff and a personal executive assistant to a minister in 1983-84 compared with 1998-99.

The Hon. R.I. Lucas: We will be able to respond to some of that but parts of that we will not be able to find. It should be relatively easy to track down how much we were paying 17 years ago for an electorate secretary and we know how much they are being paid now. As the member knows, a work

value case or an investigation is being conducted in relation to electorate secretaries as a result of the last EB settlement.

Mr Lewis interjecting:

The Hon. R.I. Lucas: If it has been, it has not been reported to me. I am happy to dig that up. If we put aside the Premier's chief of staff, who is always paid at the highest level, the average for chiefs of staff would be about \$95 000 at the moment. The average for ministerial assistants would be \$70 000 because the range is between \$68 000 and \$72 000. Media advisers are paid at about the same level. As to what chiefs of staff and ministerial assistants were paid in 1983, the member for Hart might be able answer that.

Mr Foley interjecting:

The Hon. R.I. Lucas: He got what he paid for, I can say. We can endeavour to find those sorts of figures but, going back to 1983, we might be able to locate what the chief of staff or ministerial adviser to Lynn Arnold or to the minister responsible for education was paid.

Mr FOLEY: It was \$42 000 in 1988.

The Hon. R.I. Lucas: Rather than an average, which is all salaries added up and divided by the number in the ministry, we might be able to give the honourable member the figure for a typical chief of staff or ministerial adviser at the time. I have answered part of the question but, within those constraints, we will endeavour to provide information to assist the honourable member in whatever it is that he is seeking to do.

Mr LEWIS: Could we include the Minister for Primary Industries, the Minister for Health and the Treasurer?

The Hon. R.I. Lucas: I do not know what we will be able to do. We will endeavour to comply with the member's requests but asking me in the year 2000 to find documentation for 1983 might be possible but it equally might not be. It is a 17-year ask and the member is aware of the state of record keeping, sometimes, in government departments and agencies. It might be an easy response: I do not know. I am just advising that the honourable member be patient. It might be that there is a degree of difficulty in this.

Additional Departmental Advisers:

Mr W. Pryor, Liquor and Gaming Commissioner.

Mr D. Hassam, Deputy Commissioner, Gaming.

Ms L. Stewart, Executive Director, Gaming Supervisory Authority.

Mr B. Smith, Member, Probity Panel, Gaming Supervisory Authority.

The CHAIRMAN: Are there any questions on gaming and liquor licensing?

Mr FOLEY: I note that this year gaming taxes are expected to come in slightly ahead of budget at \$212 million, which is about \$10 million above the estimate. Next year it is expected to drop to \$183.6 million, which is the 2000 budget roughly minus the GST component. Obviously it is a very difficult number to estimate, but I suggest that this is the first year that we have seen pokie tax plateau. Is it the view of Treasury that the tax has reached a plateau?

The Hon. R.I. Lucas: I know my colleague in the Upper House, the Hon. Mr Xenophon, does not like me referring to this but the onset of a No Pokies person, as opposed to a party's being elected, meant that a number of people had an idea they wanted to increase the number of gaming machines or introduce gaming machines just in case. We have seen a couple of blips in terms of what was a plateauing of the number of gaming machines. Soon after 1997 there was a bit

of a blip and, I think, last year when there was another discussion on a cap on gaming machine numbers there was another blip as people brought it forward. They did not want to be caught short. If they were going to apply for a licence some time in the future, they decided to do it straight away. If they had 10 machines, which they probably would not have increased to 20 or 30, they decided to do it a little ahead of time if they could afford it because they did not want to miss out on that opportunity.

Taking those blips into account, it is our view that we have reached the stage in terms of gaming machine income where there will be much more modest growth or plateauing, as you refer to it. It will be much more modest growth over the coming years than we saw through the initial stages—which is obviously to be expected. While it might be convenient to the argument to say that there has been a \$900 million increase in revenue for the state in the past six years, at least \$200 million of that has come from the introduction of gaming machines and gaming machine revenue. I cannot add much more than that. The answer is 'Yes', there is likely to be a lessening in the increase.

Mr FOLEY: That brings me to the next question. While I have to be careful about referring specifically to a bill that is presently before the House, it has been the long-held view of many members of our respective chambers that we should have a cap on poker machines. I make the observation that, if we have reached what would appear to be some degree of plateauing of the industry, it seems to be a nonsensical argument by those proposing a cap. Can you explain or give any comment on some of the complexities which members would need to think about and which will arise from a cap? At some point into the future, a government will have to lift the cap unless someone is suggesting that these caps should last forever—and I would not have thought they would be thinking that. I am thinking about the trading of machines, the upgrading of machines, the sale of licences from one venue to another, and so on. Has the Commissioner or Treasury done any work on problems, of which we should be aware as a parliament, as a result of the unintended consequences of a blanket cap as has been proposed in this House?

The CHAIRMAN: I remind the Treasurer, as has the member for Hart, that legislation is before the House at the present time and we should be cautious.

The Hon. R.I. Lucas: I thank the Chair and the member for Hart for their cautionary notes and I will endeavour to comply. Speaking generally, I do not think there is any doubt that in any industry, if you introduce a restriction on a licence or an authority to trade in a particular area, you automatically raise the issue of the value ultimately in the future of that licence. I remember sitting on a select committee on blue plates and white plates in the taxi industry—

An honourable member: Green plates.

The Hon. R.I. Lucas: Green plates, was it? We had a vexed issue in terms of the value of the plates and the licences. Again, that value had come about as a result of governments and parliaments for a variety of reasons deciding to restrict the number within the industry. Fishing is another example where very significant increases in value came about as a result of government decisions in the past to restrict either entry to the industry to those who already existed or the numbers within the industry.

Speaking generally, and using those examples, I think the issue that needs to be contemplated by anyone looking at any industry is how you would actually manage that. In relation to any industry, do members want to give an automatic value

to all the people who currently exist within the industry, a sort of one-off bonus? In fact, it could be an ongoing but very significant potential bonus which may grow in the future depending on the extent of the restriction. What would members want to do in relation the future taxation of that sort of unearned income, if I can put it that way, over and above what goes through a particular machine in this case? I think that is one issue in terms of any industry you have to contemplate and that certainly would be an issue in relation to this industry.

Speaking generally, the issues to which the member has alluded in terms of transferrability of licences and those sorts of things, clearly, if there was to be a regime which restricted numbers of entrants to an industry or licences within an industry, you need to have very clear what happens in all sorts of circumstances where businesses change ownership whether that be voluntarily through sale or in receivership or in liquidation. Who makes decisions in relation to who gets licences or who does not get licences where people want to transfer licences?

I think members of any industry, including this one, would have had representations highlighting a number of the important issues in terms of managing a significant change in policy, if that is ultimately the intention, whatever industry you happen to be talking about. I think all those issues need to come into account. As I ventured this morning, there are other issues that people would need to take into account in relation to this particular industry including gambling revenue, the issue of social difficulties or otherwise, and what replacement revenue a state government would bring in to replace any lost revenue in a particular area. I highlighted again this morning that is an important issue which needs to be considered.

To answer the member's question, the Gaming Commissioner and his staff and Treasury staff, and I know various members of parliament with various views on this issue, are all currently talking about whether or not the parliament should agree to go down a particular path; how would you make sense of that so that some of these issues—and there are others—might be adequately handled to avoid chaos out there within the industry? Whatever industry you are talking about, the last thing in the world you want is something which would create significant unrest or confusion within that industry and for us to try to have to tidy it up later. We have to try to resolve most of these issues at the time.

Mr FOLEY: I take the point that we need to get something that is workable out of any decision by any vote of this parliament.

The Hon. R.I. Lucas: There is one other issue I did not mention. Let us look at Holdfast Shores. If a government at any stage wants to get a major new development up, inevitably someone will say, 'We need a tavern or a hotel or a club.' It is generally a hotel or a tavern or something such as that. In terms of economic viability of many developers in South Australia, it may be that you will not get some developments up unless you have a hotel development. Hoteliers will say, 'We are not interested unless we have access to a licence.' One of the issues is whether there should be some sort of restriction or cap and whether there should be some outfall for what might be called major development.

Mr FOLEY: We do have that anomaly now courtesy of the Premier who had the amendment moved to stop hotels in shopping centres from having poker machines. Of course, the Patawalonga would be caught up under that amendment anyway because Holdfast Shores has shops in its complex

and under that bill you will find they cannot get up, anyway. It shows what happens when we as a parliament from time to time tend to have knee-jerk reactions to problems.

Mr Lewis interjecting:

Mr FOLEY: That is right, not next to schools and everything else.

The Hon. R.I. Lucas: Mr Pryor's advice is that there has already been a hearing on that matter. In respect of the case to which the honourable member refers, Holdfast Shores, that is not the case.

Mr FOLEY: Pokies can go in at Holdfast Shores?

The Hon. R.I. Lucas: Yes. That is not a shopping centre. However, I can obtain further advice on that.

Mr FOLEY: I am pleased.

The Hon. R.I. Lucas: The general question raised by the honourable member is acknowledged but, in the specific case to which he refers, Mr Pryor advises that that has not been the case.

Mr FOLEY: I misunderstood. It highlights the obvious, that at some point a future government or parliament will have to lift the cap, and heaven help us when that debate occurs. My next question picks up a point raised by the member for Bragg earlier, that is, the issue of interactive gambling and how we as a parliament will confront that issue. Treasurer, if you have not read it I would advise you to read an article appearing in the *Age* this week (Mr Pryor may be aware of it) indicating that Victoria is looking at the use of smartcards for gaming and as a means by which a person can access a gaming site on the internet.

Effectively, a person becomes a registered gambler, which includes a range of supervisions of the activities of an individual. That article appearing on page 3 of the *Age* a few days ago was extremely interesting. I have mentioned to the Treasurer privately, and I am happy to say publicly, that I was briefed recently by an organisation that showed me some of the internet gaming options some governments around the world are looking at, particularly with respect to their lotteries commissions, etc. The reality is that interactive gambling is coming at us fairly quickly. I know that a parliamentary committee is looking at this issue, but I ask the Treasurer, if he has not already done so, to request the Liquor Licensing Commissioner or other officers of government to investigate some of the options we may need to consider as a government or as a parliament.

The Hon. R.I. Lucas: The honourable member will be pleased to know that South Australia is taking a lead in this issue. South Australia is chairing a national working party which will look at all of these sorts of pre-payment options. I am told that the first meeting for Australia and New Zealand will be held in the first week of July. That working party will look at some technology that is being highlighted at the moment. The answer to the honourable member's question is, 'Yes', it is acknowledged by the government through the Liquor and Gaming Commission's staff. This is an important area. We need to keep abreast of current developments. As a result of the activities of the Commissioner and his staff, South Australia is chairing that national working party and it will commence its work in the first week of July.

The Hon. G.A. INGERSON: What is the status of any investigations being carried out by the Gaming Supervisory Authority relating to the sale of the Adelaide Casino?

The Hon. R.I. Lucas: We are nearing the end of that process. The GSA has engaged a probity panel and has conducted a probity process on the proposed new operators, Sky City Australia Pty Ltd. Based on the suitability assess-

ment prepared by the probity panel in May, the GSA resolved that it was satisfied that this company was a suitable entity to hold the power to conduct, control or exercise significant influence over the conduct of the Casino business and, accordingly, approved the share sale agreement. There are further parts to this process: the GSA must receive applications and then approve charges from financiers in connection with the transaction. That part of the process is soon to occur. The GSA receives the application and then it must approve it. It has done the probity process check, and this company has passed that particular assessment. Some of these further process issues need to be resolved.

The hope is that, by the end of June (if not soon after), we should have a new, fully-fledged owner/operator of the Adelaide Casino. I do not think it has been mentioned publicly, but I know that a reasonably significant investment is involved. Certainly, it is looking at what we would see as a reasonably significant investment in the facilities which, speaking frankly, we have managed in preparation for sale. We have not spent huge amounts of money in terms of maintenance and upkeep of the Casino. There is no doubting that money needs to be expended to maintain the quality there, and I know that the new operators have some exciting plans in terms of the entertainment value of the whole venue and site. We see them as being entirely complementary to the exciting plans the government has for the revitalisation of the Riverbank Precinct through the development of the Convention Centre, the Festival Centre and the total rebirth, we hope, of this precinct area. We hope to encourage not only local families to enjoy an evening or a weekend in the precinct but, hopefully, tourists and visitors can also enjoy cafe and restaurant-type facilities, in addition possibly to commercial facilities.

The Hon. G.A. INGERSON: Quite a lot of anecdotal evidence has been given that, since the legislation on capping came before the House, there has been a massive increase in the number of applications for licences. Is this massive number correct?

The Hon. R.I. Lucas: I am told that in the month prior to the freeze bill being introduced into the House applications were made for a total of 33 machines. To be fair, I think that in some of the previous months the figure was a bit higher than that—100, or so; in one month it was 180. In the month after there was an application for about 400 machines, and then in the following month, May, there was an application for 360 machines. June looks to be coming off that peak. It looks like everyone rushed out in April and May to make application. So, when you compare those months with March, you see that it is a very stark difference—from 30 through to 400 and 360. To be fair, a few months prior to that, some of those months were 100. I am told the average was about 80 a month, albeit that the last month was only 30. The two months following we had averaged between 350 and 400. It looks as though June will start to come off. It looks as though whatever was out there has now applied.

The Hon. G.A. INGERSON: Have these increases come from existing licence holders or from new applications—in other words, new sites?

The Hon. R.I. Lucas: We can do that with the foresight of the Commissioner's staff. In April, there were 190 applications for new licences and 214 for existing licences, giving a total of about 400. In May, there were 118 applications for new licences and 253 for existing licences, which gives a total close to 370.

The Hon. G.A. INGERSON: Earlier the Treasurer spoke about the social problems that we all know exist for a number of gamblers. What support is being given to problem gamblers in South Australia?

The Hon. R.I. Lucas: In this debate, everyone acknowledges the need for the community, parliaments and the government to do more with that very small percentage of people who have a problem. There is some dispute or debate about that percentage—whether it is 1 per cent or 2 per cent. That certainly is the ballpark figure that people acknowledge. The overwhelming majority of gamblers and gaming machine gamblers do so in a relatively harmless way to themselves, friends and their families. So, 98 per cent or 99 per cent are able to indulge in a recreation or an entertainment which, from their view point, is possibly no different from many other recreations or entertainments in which they could have indulged themselves without significant cost to themselves or their families. However, there is this 1 to 2 per cent who are an enormous problem to themselves, their families and their friends. Clearly, the government has acknowledged that we need to do more.

The Gamblers Rehabilitation Fund (GRF) gets \$1.5 million through the industry. The government is making an additional allocation of \$500 000 to be directed to try to assist some of the issues related to problem gambling. We will obviously monitor that to see whether or not that is sufficient. It is important that, in doing so, the government is acknowledging the argument that it should not just be the hotels and the clubs that have the gaming machines that are making a contribution towards helping problem gamblers. The cry has been, 'Why not the TAB, lotteries and the Casino, because there are problem gamblers who gamble with those institutions as well?' The government already reaps a significant sum of money from the Casino, lotteries and the TAB. It comes into Consolidated Account, and the government has taken a policy decision that, whilst we have not specifically put an additional tax on these gaming providers, we are saying that out of the moneys we get from those sources \$500 000 notionally will be taken out of Consolidated Account and put into additional assistance for problem gamblers.

So the hoteliers, club owners and operators of South Australia ought now to acknowledge and be aware that all gambling providers are now making a contribution towards problem gamblers as, indeed, should be the case. The government—and I am sure future governments—will need to monitor whether or not that level of assistance is enough. As Treasurer, my view would be that if ultimately it can be shown that there needs to be additional funding in this area—and it is an important area—I would be surprised if governments of whatever persuasion did not respond sympathetically.

The Hon. G.A. INGERSON: It has been put to me that the administrative costs of this rehabilitation fund are quite significant. Does the Treasurer wish to comment on that?

The Hon. R.I. Lucas: I am not in a position to throw any light on that. I am happy to take it on notice and get some information as to what the administrative costs might be. This matter is handled through the Department of Human Services, so it may well be addressed in that department's estimates committee next week. If it is not, I am happy to consult and see whether I can provide further information through either my department or that of the appropriate minister.

Mr LEWIS: Can the minister provide us with the average monthly throughput and the number of poker machines for March five years ago and March this year?

The Hon. R.I. Lucas: That would be possible but we do not have the information with us.

Mr LEWIS: I am talking about the amount of cash that goes into each machine. If we knew how many machines there were at the beginning of March and how much cash went through the machines in March, we would be able to ascertain the amount for that month. I do not think March is any different from any other month, but it is just an indication whether there has been a change over time. I would not mind if the figure was given for March for each of the past five years. I want to know the average amount of cash that goes through each machine, for each March in the past five years up to this year. What was the total number of machines licensed at the beginning of each March?

The Hon. R.I. Lucas: We can endeavour to provide some of that information. There are two concepts here, one of which is the turnover figure, to which I think the member is referring. The government produces a figure of net gaming revenue per machine, which is in the government's view and that of the Commissioner a better measure of what is going through the machine. In ballpark terms, we have some annual figures at present. In 1995-96, the net gaming revenue per machine was \$105; it was \$100 in 1996-97; \$101 in 1997-98; \$107 in 1998-99; and \$107 in 1999-2000. In terms of net gaming revenue per machine, there has not been a significant increase during that period. There obviously have been more machines, and that is why those who have a particular view about gaming would prefer obviously to highlight those figures—that is, the huge growth in gambling in South Australia. However, a lot of that is being driven by the number of machines as opposed to what is actually going through them.

In that five year period, the number of machines has gone from 9 200 to 12 600. The turnover figure, which is close to what the member was talking about—the amount of money going through the machine—was \$2 622 million in 1995-96 and \$3 409 million in 1999-2000. Again, that would be a measure that would take into account the growth in the number of machines, whereas the net gaming revenue per machine figure obviously adjusts for the number of machines. I am not sure whether that assists the member rather than the March to March five year comparison figures. Does that assist the honourable member?

Mr LEWIS: If you put that out for us in a table that would be fine. The other query I had is: what is the difference in GST implications for the different types of gambling and why do you suppose that is so, if there is any?

The Hon. R.I. Lucas: We have a bill in the parliament on this one at the moment. It is a complicated process. I can get the briefing notes and run you through it if you like. I am happy to provide to the member or members of the committee full details of the differential impact of the GST on the various gambling providers. The bottom line is that it has been a general policy of leaving it revenue neutral. In the racing industry it has required much more complicated adjustments, whereas in gaming machines it was a relatively simple adjustment (and the member for Hart and I had a discussion in relation to racing). The figure of 9.09 per cent was the reduction in the state-based tax because the commonwealth GST had been implemented and taking 9.09 per cent off the state-based tax rates left the operators in basically the same position.

Mr Lewis interjecting:

The CHAIRMAN: This is becoming a little bit of a discussion.

Mr LEWIS: I was merely asking whether it would change the odds on gaming machines.

The Hon. R.I. Lucas: No, Mr Chairman.

The CHAIRMAN: We are now moving into the line dealing with electricity reform.

Additional Departmental Advisers:

Mr G. De Gennaro, Executive Director, ERSU.

Mr T. Spencer, Executive Director, ERSU.

Mr FOLEY: Can the Treasurer advise the committee of the cost of operating the Electricity Reform and Sales Unit for the budget year 1999-2000?

The Hon. R.I. Lucas: The cost of consultants is about \$51 million, and the total cost is \$59 million. That figure includes the cost of consultants, obviously, and also the salaries of Treasury officers and—

Mr FOLEY: So, that includes the consultancy costs?

The Hon. R.I. Lucas: Yes.

Mr FOLEY: The \$51 million is part of the \$59 million?

The Hon. R.I. Lucas: Yes—you will not get that sort of a bonus.

Mr FOLEY: Can the Treasurer provide the cumulative totals of the consultants to date?

The Hon. R.I. Lucas: In relation to the costs of consultants in the leasing process, it is a ballpark of about \$63 million. In addition, as I highlighted in last year's press statement at this time, there were also costs of the consultants in relation to the disaggregation of the industry in splitting up ETSA and Optima into the seven electricity businesses, and also in managing the Pelican Point development opportunity. I think that, ballpark (I will need to check), last year's statement was about \$20 million or so.

Mr FOLEY: What is the expected expenditure for this forthcoming financial year?

The Hon. R.I. Lucas: Much less.

Mr FOLEY: One would hope so.

The Hon. R.I. Lucas: I understand that the latest estimate is about \$14 million for this year. Obviously, we are nearing the end of the process. We hope to conclude the process in about September with ElectraNet, which is the last of the seven businesses to be sold or leased. So, we are really talking about the wrap-up costs and the final costs, and hopefully three or four months into the financial year we will have concluded matters.

Mr FOLEY: The Treasurer noted today in his release to the media that the success fees have now been paid to the lead advisers. Can the Treasurer advise the committee of the success fees paid to Pacific Road and Morgan Stanley?

The Hon. R.I. Lucas: No. I am happy to take that question on notice. As I have said publicly, one of the issues in relation to success fees is that it may well be that we have to come back with some sort of notion of both gross and net success fees. The contractual arrangements involved a complicated process where monthly fees above a certain level were rebated against the calculation of the success fee. So, there will probably be a couple of figures that we need to report. I am happy to take that question on notice and have that work done and report. But they are part of this \$51 million that we have reported today in terms of the overall costs of the consultancy. As I indicated last year and the year before that, we had hoped to keep the costs of the transaction

to somewhere in the ballpark of 1 per cent to 2 per cent, and we are on track to being able to accomplish that.

Mr FOLEY: I take it that the Treasurer will advise us of the success fees once he works out exactly what they are?

The Hon. R.I. Lucas: We will endeavour to provide as much information as we can along those lines. As I said, it will probably have to be two separate measures—a gross or a net figure. But we will provide something.

Mr FOLEY: How does one determine the success fee: on what criteria was that based?

The Hon. R.I. Lucas: It is part of the contractual requirement with them in terms of a percentage against the total proceeds, which is the traditional way in which success fees in privatisations are calculated.

Mr LEWIS: How is the development of the contestable retail electricity market in South Australia progressing?

The Hon. R.I. Lucas: I think it is fair to say that we have taken some important steps towards having a more competitive market in South Australia. But it will not be until the end of this year or the start of next year that we will see the fruits of the hard work that has been done. As the member will know, we have had a long battle with opponents from the opposition and elsewhere in relation to Pelican Point. We managed to successfully fight our way through that trenchant opposition, and we will see the first power from Pelican Point on stream by November—which is the contractual requirement; about 400 megawatts of its initial 500 megawatts, we hope, by the end of December, maybe January; and some time around April the 500 megawatts will have been completed.

As the member will know, a number of statements have now been made by National Power that it is contemplating moving to 800 megawatts, which is what it has planning capacity for. Certainly, from its viewpoint, it would make sense that, if it were so inclined, it would do the 800 megawatts whilst it had all the construction teams on site rather than having to close down and then 12 months later re-employ construction gangs and all those other people required on a big project such as this. So, whilst it has said that at this stage it is only looking at it, I think there has to be a reasonable prospect that it might proceed.

In relation to interconnectors, I am sure that we will have further discussion about this matter during our couple of hours together. Tony Cook, from MurrayLink, is still saying to the market, as the CEO of TransEnergie, that he believes he will be up and going in the first six months of next year. That is the 200 megawatt plus underground, unsubsidised interconnector through the Riverland, which is broadly supported by most people in the local community, and certainly also by the South Australian government. With those major changes and some others that have been mooted, we think we will see a much more competitive market starting from next year, particularly if National Power decides to proceed relatively quickly with its 800 megawatts. The steps in terms of greater competition might be even more significant than we had anticipated for next year.

In terms of contestability, we have always had the final tranche being in January 2003 for households and small businesses. We always had the view that Victoria and New South Wales were never going to be able to achieve their final tranche of contestability in 2001, and we are now seeing announcements from both those states that they will need to delay contestability for the household market. One of the huge remaining issues for the contestability policy debate is how the household customer will participate.

Is that the use of meters, along the lines that businesses are currently putting in, although they can be quite costly; is it through the use of deemed profiling; or is it some new mechanism to allow households and small retail customers to be successfully contestable? We are in the process of working with the other jurisdictions now that they have finally conceded that they cannot meet that 2001 deadline, and I suspect that they will end up coming back to at least 2002 and perhaps even 2003, ultimately, so we will be much closer in terms of all the states having households becoming contestable in that period of 2002-03. The contestability process is being conducted on a staged and phased basis. Large and medium sized customers are contestable, and it is this last big remaining tranche on which we are awaiting resolution of some of these issues.

Mr LEWIS: Supplementary to that, will there be an opportunity to do what some carriers have done in the retailing of telephone call services, namely, to simply pick up a number of consumers in the marketplace, buy the electricity they think those consumers will want on their assessment of a profile, bidding for it in the marketplace to get it, and then on-sell it for a profit to those consumers but at a lower cost than is presently paid by those consumers? That is the way it happens in the mobile phone market.

The Hon. R.I. Lucas: In broad terms, that is the way it is envisaged that the retail market for household contestability might be able to evolve. AGL has the market through to 2003. It has to supply power to the household customer. After 2003 the household customer can choose to use AGL or not. They could use any of the other 15 or so registered retailers in South Australia, and it will be much the same as the honourable member is talking about in relation to Optus, Vodaphone and Telstra with telephones.

We suspect that we will see a situation whereby those retail companies will hawk themselves from door to door or through the mail, or whatever else, to say, 'Have we got a deal for you!' Whether they do it on the basis of individual canvassing, trying to lump together members of the Farmers Federation, or whatever else it is, the Mothers and Babies Club at Hectorville, is ultimately an issue for the evolution of the market, but it is potentially possible that a retailer could lock together a number of customers and offer those customers a particular price as a result of whatever deal they have put together.

That will happen successfully only when we have enough supply in South Australia to allow those sorts of contracts to be written. That is why it is so essential that we fought through the protesters at Pelican Point, that we win the battle in relation to unsubsidised—

Mr Foley interjecting:

The Hon. R.I. Lucas: I didn't say who the protesters were: I just said we fought through the protesters at Pelican Point. That is why we need to win the battle in relation to unsubsidised interconnection with the eastern states. Come the middle of the decade, we will need to see further power supply options. It is the government's view—

Members interjecting:

The CHAIRMAN: Order!

The Hon. R.I. Lucas: I am pleased that the member for Hart has acknowledged that his electors love the skyline down there. I will be pleased to report that to National Power and to ElectraNet. The key issue for the state in the future will be to continue to ensure that we have more than sufficient capacity to match the ever-increasing demand for

power. One of the difficult policy questions will be the issue of the peaks in February, in terms of airconditioning load.

That is where we might see some very interesting retail options post-2003, where retailers may well offer packages to people in terms of offering a certain price if they are not using power in these peak periods. People will then need to make a decision as to whether they are prepared to go without power in this particular period.

Mr LEWIS: They may just turn off the airconditioner, lock the house and go down the pub on a hot day.

The Hon. R.I. Lucas: They may well do that, as they used to do in the past. It will be interesting to see where the market evolves post-2003, but it cannot happen until at least 2003.

Mr LEWIS: On the basis of the remark that the Treasurer has just made about supply and the marketplace here, can he give us some update on the status of the Murraylink, which is the interconnection proposal for TransEnergie Australia, and give me a few clues as to how I can discourage them from going through the Riverland and go through the Mallee?

The Hon. R.I. Lucas: As the honourable member knows, since we have had a discussion or two about this issue, I am not sure that I can help him with the second part of his question. In relation to the first part, Tony Cook and his officers from TransEnergie, as the proponents of Murraylink, are heading helter skelter down a path to be up and going in the first six months of next year. They have crown development status in terms of their proposal, so they have a development application for both the South Australian and Victorian portions of the project, which was lodged back in March.

They have a transmission licence issued by the Independent Regulator and they have undertaken some commercial negotiations with a number of commercial operators in terms of the equipment that they need, so they are committed to the purchase of various equipment. They have purchased land at each end of the interconnector, so I guess that impacts on the second part of the honourable member's question, if he wants to get them to take another route. They have already purchased land at each end of the interconnect to house the necessary converter stations.

They have lodged connector applications with GPU PowerNet in Victoria and ElectraNet SA in South Australia. A connection project agreement has been entered into with ElectraNet SA for the construction of the connection assets. At the moment NEMMCO, through one of its many bodies, IRPC (the Inter-Regional Planning Committee), is having to work through some technical issues and to resolve some planning issues, which are not as significant as those of their rivals, the Riverlink proposal, because they want to go above ground. They will perhaps need to compulsorily acquire properties. They need to decide whether they want to go through the Bookmark Biosphere and take on the conservation groups, or whether they want to go through farming communities and take on the Farmers Federation, whereas TransEnergie has—

Mr Foley interjecting:

The Hon. R.I. Lucas: We don't need to: we have an interconnector underground that does not have those sorts of problems.

Mr Foley interjecting:

The Hon. R.I. Lucas: If it is underground, we do not need to worry about people's concerns with the Bookmark Biosphere.

Mr Foley interjecting:

The Hon. R.I. Lucas: I understand by interjection that the member for Hart continues to be a supporter of the New South Wales Labor government and the Riverlink-TransGrid proposal. We have a strongly different view for the reasons that we have given before. Locking South Australian consumers into providing a permanent subsidy for New South Wales taxpayers of \$15 million to \$20 million a year, even if we do not use it, would not make much sense to any rational consideration of electricity options for South Australia. I will have some work done to ascertain what the extra electricity prices would be from the Labor Party's policy in this area.

Mr Foley interjecting:

The Hon. R.I. Lucas: It is a permanent subsidy that the opposition is supporting through Riverlink and the New South Wales Labor government, and that is the concern. People are not thinking through these issues and they give knee-jerk support to some of them and, in the end, it will be a huge cost for South Australia.

Mr FOLEY: The Business Council of Australia has a different view, but people have given the minister other advice. Many of the various consultants chosen by the government come from overseas and some come from interstate. The government has also chosen to use various firms. Why did the government select a number of legal firms from interstate as distinct from legal firms in South Australia?

The Hon. R.I. Lucas: The assumption in the member's question is wrong. A large number of the consultants do not come from overseas.

Mr FOLEY: Interstate?

The Hon. R.I. Lucas: Interstate or overseas. The government considers that it has the best of both worlds. It has quality local contribution from firms such as Johnson Winter Slattery and Finlaysons, backed up by the undoubted expertise at a national level of some of the big legal firms. I have to say that it is a very easy hit for an opposition, which does not have to go through this. I will be very happy now and forever to say that this state would not have been able to do the deal that it is currently doing, given all the problems we confronted, without the undoubted capacity of the internal Treasury advice through people like Gino De Gennaro and Tim Spencer, whom I acknowledge, and their hard working team, the local capacity through the legal firms that I have mentioned, and the national, and to a limited degree, international advisers. Some of the Morgan Stanley people are international and some of them are Australians. In PHB Hagler Bailly, our economic advisers, most of the consultants are Australian based, although one is based overseas.

I do not expect members of the opposition to have been exposed to a deal like this, which is the biggest deal the state has ever seen. Even at the expressions of interest stage, we lined up with the bidders with 15 advisers sitting at the table ranging from two nationally based accounting firms, one nationally based legal firm, one set of bankers, and their communication specialists. We are in the big league and we can play our petty, parochial, local, shock horror, 'Why on earth are we employing non-South Australians?' game but, when you are in the big league, you have to play in that league. You have to have the arsenal or weaponry available to eyeball some of these people across the table for hours on end in the negotiations and to have the legal capacity, both local and national, to strike the best deal for the people of South Australia. Through the team that has been put together, I believe that we have very successfully done that.

As with any process, there are always areas we can improve, and I am the first to acknowledge that. Nothing is ever perfect, and I am the first to acknowledge that. One would be foolish to do otherwise. In any process as complicated as this, with the benefit of hindsight we would do some things differently. I know what we do for publicity purposes but, if we look at it overall, we would be just naive, foolish, petty and parochial if we genuinely believed that we did not need the heavy hitters to assist us in terms of our commercial banking advice, our economic modelling and some of the legal battles we have had with the ACCC and others on how we manage this process. To believe otherwise would be to delude ourselves.

Mr FOLEY: I would not suggest that at all. I think it appropriate that national and international advice should be sought and used in a transaction such as this. I have never said otherwise but I would have liked more South Australian content in the broad array of skills that the government has contracted. There seems to be a significant lack of South Australian expertise.

On the legal costs, the government has contracted to a number of interstate legal firms and we have to accept that they will come to Adelaide and that the poor old taxpayer will have to pay their accommodation and the logistical costs of getting them to South Australia. I am also advised that a number of legal firms interstate have subcontracted their work back to South Australia. Are you aware of such cases?

The Hon. R.I. Lucas: No, I am not. I understand that this issue was raised in the estimates yesterday. I reconfirm my understanding and I have been advised that we are not aware of subcontracting arrangements. There are four firms, two locally based and two nationally based firms, one Melbourne and one Sydney. There has been a not inconsiderable number of lawyers poring all over the documents. The additional cost of the leasing process is something that we should not underestimate. The complexity of a trade sale was at one level but to try to construct defensible legal documents from a legal, tax and accounting sense has been extraordinarily difficult. I pay credit to our legal teams. In relation to this allegation, which was raised yesterday, I have taken further advice today and I can only share that advice that we are not aware of subcontracting arrangements. We are aware of the four firms working on the deal but not of subcontracting.

Mr FOLEY: The Treasurer has given a figure of \$26 million plus for legal advisers, including due diligence. Is he able to break that up into payments to the four firms?

The Hon. R.I. Lucas: Not now, but I am sure that we can at the end of the financial year, when we will report on 30 June. These are estimated end of year results.

Mr FOLEY: I would like to know what the individual firms were paid.

The Hon. R.I. Lucas: We reported last year that the national firms are bigger and their fee share would be greater than the smaller ones. Having discussed it with the smaller firms in South Australia, they have informed us that they are working flat strap. They cannot get another ounce of work out of their staff. In some cases they have taken on additional staff but they have had to restrict what other work they can do. They need to continue other work because this will go until August or September and then it will stop. The advice that I have been given is that our local firms have been very happy with their arrangements. Some of them are in loose association with national firms. Finlaysons is in a loose association with Allen Allen and Hemsley and Arthur Robinson from Melbourne and Sydney. They are not partners

but they work together. Allen Allen and Hemsley and Arthur Robinson use Finlaysons for a lot of their South Australian work, which is unrelated to us.

Mr FOLEY: Some members of legal firms who have spoken to me do not share the view that there was not the expertise available here in South Australia. A number of them—including me—sit back and see some of the consultants, in particular the legal consultants, having to fly to Adelaide regularly and having to stay at the Hyatt Hotel. All of that is eventually paid for by the taxpayer through fees. At times it is disappointing that such expense is incurred. I do not know whether you read the weekend *Financial Review*. There was an interesting article in the weekend *Financial Review* a couple of weeks ago that I might share with the committee because it is quite relevant. It is a soft piece about the travelling experiences of executives, and each week it profiles an executive and talks about that person's travelling. A couple of weeks ago the article was about a woman named Erin Feros; and there is a nice picture of Erin holding a glass of red wine. The article states:

Position: corporate partner, Allen Allen & Hemsley, one of Australia's law firms.

It talks about what they do; and it continues:

My practice includes capital raisings, privatisations, resources and funds management. I am based in Brisbane. I am acting . . . for the South Australian government in the privatisation of the state's electricity assets. . .

Most frequent business destinations: acting for the South Australian government means commuting to Adelaide from Brisbane [weekly].

It goes on to state—and this is a good plug for the Hyatt Hotel—that her most favourite hotel in Adelaide is the Hyatt because it provides 'personalised service in the Regency Club which makes me feel at home'.

I am glad the Regency Club at the Hyatt makes Erin feel at home, courtesy of the taxpayer. It talks about her favourite restaurant and a few other matters about her travelling. Indeed, one of the reasons she likes the Hyatt is that she likes the 'luxurious and spacious bathroom' available at the Hyatt. I suspect that maybe sometimes when you hire these consultants, Treasurer, you might suggest to them that they do not flaunt the fact that the taxpayer is putting them up in the Hyatt. I think that is a little unfortunate. I think you can gather why some of the legal firms in Adelaide get a bit—

Mr LEWIS: This might be shocking, but I do not think it has a lot to do with electricity.

Mr FOLEY: She works for the South Australian government. Taxpayers are paying for her to enjoy the luxurious Regency Club at the Hyatt and—

The CHAIRMAN: The chair takes the point the member for Hammond makes: I think the member for Hart has made his point.

Mr FOLEY: I will leave it at that.

The Hon. R.I. Lucas: I might respond briefly to the question or the statement. In relation to local legal firms, I am aware that many of them believed that they should have been employed either instead of the two local firms we did employ or instead of the two interstate firms. I understand that, but I have to say—and I have said this to a number of them who have spoken to me; and some of them, to be frank, in their discussions with me acknowledge—that one of the key reasons we employed Allen Allen & Hemsley and Tim Bednall of that firm was his undoubted expertise in competition policy.

These people are dealing very frequently with the ACCC, Allan Fels, Allan Asher, and all the people making the decisions in the ACCC. I can say without any fear of my being contradicted that, from any reasonable assessment of what has gone on, the capacity of Tim Bednall and his team, Grant Anderson and his team from Arthur Robinsons, if we did not have them we would not have been able to deliver the deal in the way in which we have been able to deliver for the taxpayers of South Australia. In relation to accommodation, what the member for Hart may have forgotten is that, as Treasurer, I was also the shareholder and owner of the Hyatt. It was in the state's interests to have people staying at the Hyatt. While that was not obviously the only reason, clearly, I did politely ask whether they were prepared to stay at the YMCA or the YWCA when they came to Adelaide to handle negotiations with the bidders and whatever, but they did ask that something a touch better be provided.

The reality is that, as a result of the numbers of people staying there, we have been able to negotiate a reasonable package with the Hyatt. As I said, up until recently the Hyatt has actually been the state government-FundsSA owned hotel. We are supporting our own product. We are trying to encourage people to purchase it. It may be that a portion of the value we got from the sale of the Hyatt through FundsSA—which was a very good result; I think a ballpark of \$50 million plus—might have been in part due to the custom that we were putting through it. It certainly would not have hurt.

Mr LEWIS: How is the government addressing the issues relating to Flinders Power's operations in Leigh Creek as part of the privatisation process? In particular, are any contingent liabilities arising from, say, Leigh Creek transferred with the transfer of the mine?

The Hon. R.I. Lucas: Flinders Power and ElectraNet are two of the more complex privatisations that we have in terms of the seven businesses. Leigh Creek itself has raised some significant issues in relation to not only the mine site but also the township. In relation to the issue of liabilities, a considerable amount of time and effort went into the drafting and crafting of the documents for Flinders Power to try to take that situation into account. In broad terms, the government is obviously trying to ensure that as much as possible of the liability ongoing goes with Flinders Power.

In relation to any possible closure of the Leigh Creek mine and the remediation costs, etc., the intention is to have those sorts of costs met by the new operators of Flinders Power. Those sorts of issues are obviously important issues. In addition to that, we have the complexity of the township which we think we have come to a happy landing on—or a relatively happy landing. We also have complexities of cross border leases which the Bannon government in the mid-1980s entered into. We have had complex negotiations with Japanese lawyers and financiers to unravel that as well.

Those issues involving Flinders Power, together with the ash ponds, together with Playford power station, together with the railway corridor, together with the cube arrangement, and together with ElectraNet are probably the most complex of the privatisations, and it was one of the reasons why we left Flinders Power and ElectraNet to the end. Our lawyers have been trying to wrestle with Japanese lawyers and others to try to come to a satisfactory landing on some of these complicated legal issues.

Mr LEWIS: Where is the office of the independent Industry Regulator; how will it be staffed; and where is the money coming from?

The Hon. R.I. Lucas: He is at 50 Pirie Street. How will the Independent Regulator and his unit be funded? The unit is funded through licence fees on the industry in terms of industry participants. The Industry Regulator, together with the technical regulator and, we hope, the planning council will be funded by that means. Originally we had hoped that we might get enough to fund the Sustainable Energy Authority. However, for the benefit of those members who have been following it, that bill is presently stalled in the parliament through lack of funding. We have to try to find a funding source. Licence fee income from participants in the industry will fund the operations of the Independent Regulator.

The Independent Regulator is completely independent of me and of the parliament. He can be removed only by Supreme Court action. So, the Independent Regulator is a very significantly independent and influential person and authority. He has appointed most of his key staff advisers, possibly with the exception of one or two people. He has already commenced the complicated work that his office entails. It will become much more complicated, obviously, as it gets closer to regulatory rate reset, which will occur in 2005. As the honourable member would know, the Victorian Independent Regulator has just announced in his draft determination a 20 per cent reduction on the prices that can be charged by the equivalent distribution companies to ETSA in Victoria.

Some people have the naive view that because we used to get \$300 million from ETSA when we were a monopoly we will continue to get that. If we therefore want to compare what the interest savings are against what we might have got and they still use this figure of \$300 million, obviously they have not heard not only of the Independent Regulator in Victoria but also that the equivalent person in the UK reduced the prices by 29 per cent in a draft determination, and ultimately by 22 per cent to 24 per cent. This was the argument we were having with the Leader of the Opposition, the shadow treasurer—

Mr Foley interjecting:

The Hon. R.I. Lucas: I do not know whether I am allowed to do that in this chamber—I think that shows disrespect, and I am mindful of that, Mr Chairman.

Mr Foley interjecting:

The CHAIRMAN: Order!

The Hon. R.I. Lucas: I think I was clever enough to say that his mouth opened and closed like an ageing groper. The use of metaphors is permissible in parliamentary debate, rather than calling him an ageing groper. I am diverted. It is an important issue, and this notion that this is a risk-free business, that you can take your money and go as if you were a monopoly and that governments, treasurers and ministers can ratchet up prices whenever they want is wrong. Those days have gone. We have this very powerful position of Independent Regulator and, as the UK and Victoria have shown, independent regulators do not tend to increase prices in aggregate: they tend to look at reductions in prices.

Mr Owens will have the capacity, over the next five years, to demonstrate his view of the world, but I would be surprised if he did not start from the viewpoint of trying to ensure an appropriate consumer benefit whilst ensuring that the quality and supply of service that is being provided by these new companies continues to be of a high standard and perhaps even higher.

Mr FOLEY: Treasurer, you would be aware that Mr Owens made some statements to the media last week about some work he is currently undertaking to review

pricing. Mr Owens in a radio interview late last week, in part, said:

We are working with ETSA Utilities particularly at the present time to focus in on reliability and quality of supply. I think when I last spoke to you I was talking about... we were engaging consultants to do some work on how did we compare with Victoria and New South Wales and would people be prepared to pay a little more to get a guaranteed, you know, reliability of their electricity supply. We hope to release that study in the next week or so.

Mr Owens further said:

It is concluding that in general people are happy to pay a few dollars a year extra if they can see that benefits in terms of the number of blackouts and quality of that supply.

The interviewer asked:

So, we could actually pay a little more for our power and, if you like, a swap for a more reliable service?

Mr Owens replied, 'Exactly.' Mr Owens is clearly reviewing that position. Under the act, of course, ETSA Distribution is clearly able to get adjustments in its prices to ensure that it is achieving its rates of returns, etc. Did Mr Owens have any discussions with you, Treasurer, about this review so soon after the privatisation?

The Hon. R.I. Lucas: I have had a brief discussion with the Independent Regulator about this issue. I have not seen this research, which I think he has indicated he will potentially release in the next few weeks. As I indicated earlier, he is completely independent. We obviously have cordial discussions on a regular basis but I have not seen the research. I am aware of the statements he has made and I have had a relatively brief discussion with him. What I can say is that the member for Hart has, either wittingly or unwittingly, been peddling a story through the newsrooms of *Adelaide Today*, which, it might not surprise members, is completely inaccurate, that is, that there is potentially a 3 per cent to 5 per cent increase in prices over and above the GST package I announced this morning of something over 12 per cent.

What the member for Hart might have wittingly or unwittingly done is add two and two together and come up with five. There is an overall commitment that households in South Australia, right through to 2003, cannot have increases greater than CPI, with the exception of the federal government's GST arrangements, obviously. The member for Hart's contentions to various newsrooms—which I have been correcting during the afternoon tea break—that we are looking at a 3 per cent to 5 per cent increase over and above this CPI is wrong. I hope now that he knows—

Mr Meier interjecting:

The Hon. R.I. Lucas: He may want to apologise to the newsrooms for having misled some of them.

Mr Foley interjecting:

The Hon. R.I. Lucas: The Premier gave a cast-iron guarantee two years ago, through the legislation on which the honourable member and others voted, that we are locking in CPI increases for household customers.

Mr FOLEY: To what, then, is Mr Owens referring in his media comments?

The Hon. R.I. Lucas: I have not seen any media comment where he talks about a 3 per cent to 5 per cent increase.

Mr FOLEY: He talks about an increase.

The Hon. R.I. Lucas: He is talking about two issues. A part of his comments mentions a performance incentive scheme, which potentially—

Mr Foley interjecting:

The Hon. R.I. Lucas: It was in the legislation and the discussion in the parliament. I am not sure why the 'Oh'

comes from the shadow minister. It was in the debate and the discussion. I have spoken on it publicly. Indeed, the Victorian regulator has acknowledged our performance incentive scheme arrangements and has indicated that he is now looking at it perhaps with a view to introduce it in Victoria because he believes it has much merit. The regulator—

Mr Foley interjecting:

The Hon. R.I. Lucas: The honourable member does not understand it. He cannot even remember it, let alone understand it.

Mr Foley interjecting:

The Hon. R.I. Lucas: The honourable member cannot even remember it, let alone understand it. I would not hold myself out as the expert on something I cannot even remember being discussed or debated over the past 12 months. The performance incentive scheme is something which cannot impact on household customers until after 2003. Contrary to the claims being made by the member for Hart to newsrooms around the state at the moment, there is a lock-in of no greater than CPI—it can be less than CPI—for household customers with the exception, obviously, of the GST announcement that we recently made in relation to electricity tariffs.

The performance incentive scheme ultimately has been introduced. The Independent Regulator will need to review how it operates and what its effectiveness has been, but it can both penalise and provide incentive to the operators of the businesses. There can be a financial penalty if they do not perform to certain standards and, if he agrees, there can be a financial incentive if they perform at certain levels.

One problem with the regulatory regime in Victoria was that there was no incentive for the distributors: once they reached the level set by the regulator for any five-year period there was no incentive for them to do better. Why should they spend more money on maintenance? Why should they reduce outages in particular areas? There was no incentive for them to do any better than the standard set by the regulator for that particular five-year period.

The debate we had in the construction of this regulatory regime in 1998-99 was along the lines of, 'How can you have a system which might encourage people to continue to perform better and to penalise them if they don't perform as they should.' The performer incentive scheme is an endeavour to try to do that. The comments the member for Hart referred to may well involve that. However, in terms of any potential impact on household customers near and dear to all of us, there can be no household impact from this until after 2003.

Mr FOLEY: The sum of \$5 million performance will be paid for by only contestable customers.

The Hon. R.I. Lucas: I am not sure from where the member got his \$5 million.

Mr FOLEY: You mentioned it.

The Hon. R.I. Lucas: I didn't mention it.

Mr FOLEY: Lew Owens mentioned today the amount of \$5 million.

The Hon. R.I. Lucas: The honourable member is confusing me with Lew Owen, and that is a big error to make. He is the independent regulator and I am just the minister.

Mr FOLEY: You are saying that that performance—

The Hon. R.I. Lucas: I didn't say \$5 million at all. You said I said it.

Mr FOLEY: Okay. Whatever figure you are saying—

The Hon. R.I. Lucas: I haven't used a figure at all.

Mr FOLEY: —is paid for only by contestable customers.

The Hon. R.I. Lucas: I will take advice on the detail of the performance incentive scheme. I am saying that the impact on household customers cannot be felt until after 2003. Contrary to what the member for Hart has been saying to newsrooms all over the state this afternoon—that there is potentially a 3 per cent to 5 per cent increase on the way—that is wrong, and I hope during the dinner break the member will be honest enough to go out and concede that that is wrong.

Mr FOLEY: Let me get this right. You are saying the incentive scheme, which will be recovered by ETSA from its clients, can be recovered only from those who are contestable?

The Hon. R.I. Lucas: It cannot be applied to household customers until after 2003. We will double check on what occurs for the business sector prior to 2003. Our initial view is that it cannot apply to it either until after 2003.

Mr FOLEY: Who pays whatever it is?

The Hon. R.I. Lucas: I am not sure what you are talking about. You have this figure that you have made up.

Mr FOLEY: No, I haven't made up that figure. That is a figure that Lew Owens has said to the press today, that there is a \$5 million performance incentive scheme. Someone has to pay it—obviously consumers.

The Hon. R.I. Lucas: In a number of statements to media outlets, the member for Hart has put words into the Independent Regulator's mouth about 3 to 5 per cent increases being on the way during this period. Those statements were wrong. Based on past experience with the member for Hart, he will excuse me if I just do not accept as gospel anything he says, that the Independent Regulator has claimed—

Mr Foley interjecting:

The Hon. R.I. Lucas: They are not the—

Mr FOLEY: I do not have the advisory staff you do, and I thought you might—

The Hon. R.I. Lucas: You were the one making the claims about the Independent Regulator. As I said, with due respect to the member for Hart, based on past experience, I will not just accept his claim that the Independent Regulator said it.

Mr FOLEY: But you have said there is an incentive scheme. Someone has to pay for it. I am asking, 'Who pays it?' That is the simple question.

The Hon. R.I. Lucas: I have just said to you certainly the household customers will not be paying it until after 2003.

Mr FOLEY: So it must be paid only by contestable businesses.

Mr LEWIS: I am astonished at the way in which the Office of Alternative Energy has been treated. I just wonder why what used to be a very minor expense in ETSA has now been gutted, along with the work which it used to do to promote awareness of alternative energy technologies and encourage people to think of doing things differently where it might be practical to do so in, say, remote areas and locations and so on.

The Hon. R.I. Lucas: I cannot throw much light on that. I am not sure whether the member is referring to the decisions that the new operators have taken in relation to ETSA Utilities, because clearly they are now commercial decisions.

Mr LEWIS: Monica Oliphant is not working there any more; she has gone. I thought that she used to be a great asset in promoting awareness of those kinds of things. Now, there is just no space, no room. I had a conversation with her just after I noticed what had happened, and I was disappointed.

The Hon. R.I. Lucas: If the member is referring to decisions that the new operators have taken subsequent to the takeover, I am happy to inquire of them in relation to this area. However, I no longer have the capacity to influence their decisions in that area. What I can say is the government's original intention had been to establish the Sustainable Energy Authority funded, as I said, through licence fees. However, ultimately, we did not have enough in licence fees to fund all these bodies and authorities. We as a government have a policy decision to take to proceed or not proceed with the Sustainable Energy Authority, which was modelled broadly—but we thought with some improvements—on the Sustainable Energy Authority or development agency in New South Wales.

There is the capacity for the government at some stage to move down that path, if there has been some windback within ETSA. Frankly the government has to decide whether it be through this authority or some other capacity to have that sort of capacity broadly available within some government department or agency. Given this is now a private sector operation, it may not have been appropriate that it continues to be the vehicle for that sort of advice. The government, through some sort of agency, may need to have that sort of capacity available to it, anyway. I can acknowledge the member's point but I cannot throw too much more light on it.

Mr LEWIS: No small bonus grants are available any more for people to try out alternative ways of providing their energy where they are, say, in remote areas. I well remember that it was through that office in which Ms Monica Oliphant was so effective for so long that those types of new ideas were tried out and grants were made available, and we now have, for instance, the things I was advocating 12 or 15 years ago—and I am talking not about fish farms here but about photovoltaic illumination along highways, signs at railway crossing and the like. If there is not a cell within government that constantly encourages and looks at these things, it strikes me that sustainable energy is more focused upon using conventional technologies and not the sorts of technologies advanced by the organisation to which I have belonged for longer than I have been in parliament—and that is 21 years—and that is Solar Energy Society.

The Hon. R.I. Lucas: It is not correct to say that the Sustainable Energy Authority would not be involved in that area. The whole purpose of that bill was to look at the New South Wales model which has tried to encourage solar, wind power and demand management policies, a whole range of things in terms of energy management and sustainable energy. That was the original intention for that authority. In terms of what exists at present, at this stage the best we can suggest is that there still remains an Office of Energy policy under Dr Cliff Fong in the Deputy Premier's broad portfolio. So, that agency as we understand it—

Mr LEWIS: Does it have grant funds?

The Hon. R.I. Lucas: I do not know whether it has funds but it has some overseeing responsibility in terms of Office of Energy policy. Members of that discuss a number of these issues because they have provided input into previous cabinet debates on these issues. When we were looking to establish the Sustainable Energy Authority they commented with some authority on what they believe should or should not go into this authority. There is at least a body of expertise. It is clearly not with the same capacity that the honourable member is looking for, but there is at least a framework upon which a government could build if it wanted to or, as I said,

it may well be that the government decides to continue with the proposal that we brought to the parliament last year, which was a new office, the Sustainable Energy Authority, which would tackle many of the issues and, in a small way, would provide some grant funding to various projects.

Membership:

Ms White substituted for Mr Wright.

Mr MEIER: Treasurer, in the lead-up to the power privatisation program you made many public statements about the risk to the state if it continued as the owner of power assets in the competitive international electricity market. South Australia has now been in that market for about 18 months. In light of recent media speculation about the effects on power companies of such situations as summer load shedding, the industrial action of Victorian power workers, the breakdown of Victorian generators and the unseasonable cold spell a few weeks ago, I ask whether you are sure that the right decision has been made in evaluating the risk of owning power companies and whether you have any indication of the effect on South Australian power companies of the situations to which I have referred.

The Hon. R.I. Lucas: I think the recent developments nationally and in South Australia have demonstrated the huge risks of staying involved in this industry. I think members in this chamber have heard before, probably from the Premier, of the \$600 million court case loss for one of the New South Wales power companies in a battle over the contracts and the price within those contracts. Early this year, or late last year, we were also aware of some not inconsiderable publicity in Queensland where the Queensland power companies with 15 to 20 power purchase agreements have now taken, in retrospect, the wrong decision in terms of the prices that were being talked about. They are now facing, as a community and taxpayers ultimately, hundreds of millions of dollars and, in some cases, estimates of over \$1 billion in potential losses on some of those contracts over a long period.

The ups and downs have not been limited only to New South Wales and Victoria. We had an example (in a highly unlikely set of circumstances, I have to say; we are not sure whether we have seen them before and hopefully will not see them again) of the power dispute in Yallourn where, basically, they closed down a large part of the generation capacity in Victoria. We then had significant problems with getting power across the big interconnector to South Australia. At the same time we had huge peaks in demand because of the hot weather in Victoria and South Australia. All that happened at the one time.

The only thing I can say is that fortuitously we had just closed on the sale of ETSA Power to AGL and the leasing of ETSA Utilities to CO and Hong Kong Electric two days before (I think it was on 31 January) and we had these problems on 2 February. There is no doubting that in those few days the generators, both the government owned and the privately owned ones like Boral in the South-East, made a huge amount of money. It is now estimated by the industry that AGL lost somewhere between \$15 million and \$20 million in two days of trading—two days after they took over our ETSA Power in South Australia.

As I said, I do not hang that out as the sort of risk that comes round every day, week or year but it is the sort of thing we were warning about in terms of the risks of the electricity business and, in particular, risks of generators and retailers. In this example the generators did well. However, for the new

owners and operators of ETSA Power to face what the industry is estimating at about a \$15-20 million set of losses in those two days after taking over was not a happy welcome to the national market.

In the short, medium and long term, the power supply issues at Pelican Point (about which I have talked earlier) and the interconnector will significantly reduce the prospects of those sorts of things happening in the future. However, in the current climate we were not immune to those sorts of huge losses, and if this was to occur, for example, next year rather than this year and we had still been the government owners, then you do not have a circle where it stays broadly within government: there is clearly some leakage to privately owned generators such as Boral and via the interconnector. However, the more competition we have, if it was still in government ownership, we could clearly be facing the sorts of things that we have been warning about. The opposition and others have pooh-poohed it and said, 'That will not happen in South Australia. This is a guaranteed \$300 million that you will make. It is money for jam, it is risk free. Don't worry about it. Why on earth did you sell it?'

Mr Foley interjecting:

The Hon. R.I. Lucas: We are talking about it. This is as of February this year. Members opposite might not like to be reminded about it, but—

Mr Foley interjecting:

The Hon. R.I. Lucas: We are talking about the future, and the government is providing for the future. However, the reality is that this is a very significant issue in terms of risk management for electricity companies in the current South Australian market, one which we hope will be, although clearly still not a risk-free environment, more manageable by the greater supply of capacity through both generation and interconnection that we will see over the coming year.

Mr MEIER: I take it that the \$20 million plus lost by AGL during those few days was as a result of the fact that it had to pay near \$4 000 per kilowatt hour compared to, say, \$40 per kilowatt hour. If I am wrong in that respect, can the Treasurer please outline further? This leads me into my next question. Is sufficient generating capacity available in South Australia for the 2000-01 summer peak load?

The Hon. R.I. Lucas: With respect to the first aspect of the question, in broad terms, that is correct. There is a cap at the moment on the spot price of \$5 000 a megawatt. That will increase to \$10 000 in July 2001 and then to \$20 000 in December—or September.

Mr MEIER: Per megawatt hour?

The Hon. R.I. Lucas: Yes. I do not think we know when that will occur. I think it is September or December 2001, but I can correct the record if I am wrong. It goes from five to 10 to 20, and some people are saying that, ultimately, it will be unlimited. The losses that AGL suffered on 2 and 3 February would have been significantly higher if the capped price had not been \$5 000 but had been \$10 000 or, indeed, \$20 000. These are the huge risks that we have been warning about for so long. Sadly, those who do not want to hear and those who do not want to see, represented on opposition benches, have chosen to ignore those sorts of warnings, and the sad reality is that we have now had an event here in South Australia—and we hope that we do not see it again—where there was a very significant loss to that company.

In relation to the second part of the member's question, the key additional power increment for next summer is really just National Power. As I said earlier, Tony Cook from TransEnergie is predicting in the first six months of next year.

I do not think that we can count on that being in January and February. I suppose that there is an outside chance, but I think it unlikely. He is predicting in the first six months, so I suspect that that might mean the second quarter rather than the first quarter. So, in terms of next summer's peak, we are looking at the extra 413 megawatts (I think it is) of power that National Power will have on stream, it believes, by about the end of December. Our peak period is generally late January, all through February and early March. If National Power delivers on time, as it is indicating, we should have that significant additional increment. We will also have an extra 40 megawatts of power from Boral, I think. Boral had 40 megawatts of extra power at Ladbroke Grove in the South-East for the tail end of this summer, 1999-2000, but it has another 40 megawatts which will be ready for 2000-01, as I understand it. So, that will be an extra increment of power. But none of the other generation options or interconnection options are likely to be ready by December-January. The Riverlink proposal supported by the opposition has no prospect at all. It has a snowball's chance in hell of getting up and going by this summer. If I was a betting man, I would be very surprised if it was ready for the following summer. We were promised that it would be ready by the end of 1999. It has not even obtained—

Mr Foley interjecting:

The Hon. R.I. Lucas: It has not even obtained approval from NEMMCO, an independent national authority, independent of the state government: it still does not have approval. We are in the middle of the year 2000—

Mr Foley interjecting:

The CHAIRMAN: Order!

The Hon. R.I. Lucas: —and it still does not have approval from NEMMCO.

Ms WHITE: Members are probably sick of my raising this issue, but again I raise a very important issue to my constituents, and that is the reliability of electricity supply to parts of my electorate, namely, St Kilda, Waterloo Corner, Virginia and parts of Paralowie. I have in my possession several letters, responses from four separate ministers who have been responsible for ETSA: John Olsen when he was Minister for Infrastructure; Graham Ingerson when he was Minister for Infrastructure; Michael Armitage as the responsible minister for ETSA; and now the Treasurer, who is the minister responsible for ETSA.

There is absolutely no doubt that we have an unreliable power supply in my electorate. It is far worse than other areas in this state—far worse than that in the leafy green suburbs. We pay exactly the same amount for our electricity, but we have such poor reliability. The excuses given by ministers for all the power cuts have ranged from birds on lines; lightning strikes; unexplained events; storms; hot weather; cold weather; and, windy conditions. Quite frankly, we have heard it all, and it is just not good enough. We have had 13-hour blackouts. It is not unusual for power to be out for one or two hours regularly. It is affecting residents and businesses. At Virginia, an area that is hard hit often, businesses go out during lunch time and they lose business, trade and cold stored food items. We have a chicken manufacturing factory which has to stand down workers and risks losing export orders. Workers have to be paid for half an hour before they are stood down. It is a cost to the company and to the workers. All of this occurs because of the unreliability of supply in my electorate.

I ask the minister, first, for an acknowledgment that supply to those areas that I have mentioned is well below par

for the rest of the state. I would like him to explain to my constituents why, when they pay exactly the same amount for their electricity as everyone else, their reliability of supply is so poor. What will the minister guarantee to do about it? I am looking for a guarantee to upgrade these facilities to my electorate so that my constituents finally can get what they pay for.

The Hon. R.I. Lucas: That is obviously a very passionate attack on the quality of service provided by government owned and operated utilities. We had from the member there a damning indictment on the level of service that has been provided. One of the intriguing notions that I have heard around South Australia has been from people such as the member for Taylor, who opposed the privatisation, in the same breath roundly condemning the appalling service, the prices and the charges that the government owned and operated utilities are providing. And that is, indeed, what the member for Taylor has just done.

An honourable member interjecting:

The Hon. R.I. Lucas: It is pretty hard to understand an argument of, 'Shock, horror, the private sector will now have a go at trying to run this better,' when at the same time and in the same breath the member for Taylor and others indicate that for years they have had problems and nothing has been done about it.

The situation at the moment is that we have a government monopoly with the best will in the world. We have politicians who run it, and the honourable member indicated four ministers, including me. Ultimately, in terms of pricing, we can take decisions without having to be answerable to independent regulators or anyone. So, if I can give the member for Taylor some credit, she might in a quieter moment be prepared at least to consider the good sense of what the government is doing. We are saying: let us have a go at providing something better than the honourable member has been talking about. Let us have a go at providing a system where—

Ms White interjecting:

The Hon. R.I. Lucas: Let us have a go at doing better: it can't be any worse, can it? The honourable member has eloquently portrayed how under four ministers the level of service has been appalling, from her viewpoint. We now have the opportunity, under the privately owned and operated electricity business with an independent regulator, to see whether we can do something better than the honourable member is talking about. All I am asking is to give it a go. It can be no worse than what the honourable member has talked about. We believe that we can see a system that can improve, so I would ask the member for Taylor at least to consider that.

The second thing I would ask her to do is to be very careful about being locked into a position that opposes the government's performance incentive scheme, which the shadow treasurer has been hinting at today. It is not the government's: it is now part of the regulatory authority. The performance incentive scheme will give the member for Taylor the opportunity to see some achievement of her and her electorate's objectives in the area that she is talking about. The performance incentive scheme was partly constructed to allow what we called hot spots.

When I went to Victoria, the Office of the Regulator-General told me that they had a situation where a place like Ballarat, so close to Melbourne, for some reason had an inordinately high percentage of outages. There was no incentive under the old government-owned and operated system for them to spend the money to upgrade it. They were

still getting the money and there was no incentive for them. We had a look at that and thought: there must be hot spots, whether they be in the honourable member's area—and I do not have to hand a lot of personal knowledge of the honourable member's complaints about her particular part of South Australia—

Ms White interjecting:

The Hon. R.I. Lucas: I know that I have had letters, but I do not have them with me. I can assure the honourable member that I get many letters of a similar nature from across South Australia; or I did. What we did in constructing the performance incentive scheme was to say: let the Independent Regulator have the capacity to nominate hot spots. The Independent Regulator will be able to look at an area like that of the member for Taylor and say, 'This level of service is unacceptable: I will put this into the performance incentive scheme.'

He has the capacity to do that with up to 40 areas, and I had a broad discussion with him about those 40 areas that he is looking at at the moment. I cannot recall whether or not the honourable member's area is in it. I would urge her to consult with the Independent Regulator and suggest that this performance incentive scheme might be the very thing that she needs; that she has been unable to achieve the change in the past and she would like to see her areas represented in the hot spot calculation that he does.

The performance of ETSA Utilities, in this case, will be judged not only on its overall aggregates in terms of the overall number of minutes out across the state, which is the traditional measure of performance of the system, but we have tried to put in additional element which says, okay: you might have an overall average that is great, but if they can put up with problems in your area but improve in other areas, that does not help the member for Taylor in her area or the member for Flinders in her area, whatever it might happen to be.

We are trying specifically to put something into the performance incentive scheme to try to address the problems that the Independent Regulator in Victoria had, although he had no mechanism for doing anything about it. He could publicly report about it but, ultimately, as long as the distributors met the overall aggregate outage figures, they had no reason to improve services in particular areas.

Mr Foley: Who pays?

The Hon. R.I. Lucas: Ultimately, it is either a penalty against the consumer or it will be an additional cost for consumers.

Members interjecting:

The Hon. R.I. Lucas: Ultimately, but it cannot be in the period up until 2003, which is the point that the honourable member has been making around the media today. If the honourable member is genuine in her endeavours to support her constituents—and I take her at her word—she should approach Mr Lew Owens, the Independent Regulator, and say, 'The Treasurer has just highlighted to me the wonderful benefits of the performance incentive scheme, potentially, in particular in the area of the hot spots. I want to know your figures.'

What he has done is pull out some figures of the worst performing areas, so he will know whether the honourable member's area is the worst. There may be areas even worse than those in terms of outages. He has the capacity to nominate the particular areas that go into that, and then the performance of ETSA Utilities will be measured not only in the aggregates but in terms of the individual areas.

If the member for Taylor genuinely wants to achieve something, rather than posturing in the House, might I say, with due respect, because I no longer have the authority in this area, she should make an appointment with the Independent Regulator and take up this issue, because we have at last provided a framework whereby it might be possible for something to be done in this area. I do not have the capacity, and the honourable member knows that, even though she has asked the question in the way she has.

She knows that I do not have the capacity to order a privately operated utility to spend money in her or anyone else's area. The honourable member and others can express a view to the private operators, but she cannot—and nor can I—direct them to spend it. The Independent Regulator, through the performance incentive scheme, has the structure and capacity potentially to do something about it—if he agrees with the honourable member. I do not know whether or not he will: that is the challenge for the member for Taylor.

Ms WHITE: As a supplementary question, that is very convenient. The minister talks about giving performance incentives so that my constituents can get the level of service they already pay for. Performance incentives, by the minister's own indication, will cost my constituents more money, yet in a recent letter from him to me he promised that penalties will be imposed for non-compliance of the minimum service levels.

There is no way that the minister can tell me that my electorate is receiving the minimum service levels that have been promised by his government. The minister is talking about incentive payments that will cost my constituents money, when all his previous rhetoric was about penalties.

The Hon. R.I. Lucas: Obviously, the honourable member does not understand her correspondence: I will be happy to go through it with her. The performance incentive scheme, as I have said three times in this debate this afternoon, offers both penalties and incentives. It can penalise for poor performance and it can provide incentives in the long term for good performance. For the honourable member, knowing that particular debate, to try to portray it as only being that I promised there would be penalties, is a complete misrepresentation of both my correspondence to her and what I have said on a number of occasions this afternoon.

She can choose to listen and learn about the performance incentive scheme and then have a discussion with the Independent Regulator, or she can continue in her own ignorance of the performance incentive scheme. That really is her choice. There is no suggestion that there can be an individual charge on her constituents for an improvement in her area. There has never been any suggestion about that, contrary to the honourable member's inference in her last question.

There is a quite rigorous assessment and, if there is to be any incentive paid to ETSA Utilities, it is a judgment that the Independent Regulator makes on a quite complicated series of calculations that measure its performance in term of aggregate performance across all the broad aggregates; that is, how it has performed in the CBD, in the metropolitan area, in the rural area and in the remote area, and also how it has performed in the 40 hot spot areas.

Then the Independent Regulator, looking at its overall performance, will say, 'On a points structure, I think that this is potentially worth an incentive or a penalty,' depending on which way it goes. In the brief discussion I had recently with the Independent Regulator, he indicated to me that he thought the hurdles were quite onerous and that he was only doing

some initial work. Obviously, this does not apply because the scheme does not start until July next year.

In the initial work that he has done just to see how it might have worked if it had been operating, he said that, even though there had been a pretty good aggregate performance from ETSA Utilities, because of issues with storms etc. he did not believe that, if it had operated, there would have been anything more than a negligible impact in terms of overall prices. It would be either zero or negligible in terms of possible impact. It is a way down the track. There is capacity to potentially have the framework for a resolution of the member's issues. In the meantime, she needs to continue to raise with the companies and others—

Ms WHITE: It is not your problem, is that what you are saying?

The Hon. R.I. Lucas: No, the government accepts overall responsibility for the regulatory framework that we have provided, together with the parliament.

The CHAIRMAN: The chair wishes to follow up the member for Taylor's question by asking whether the Treasurer feels that the advertising campaign has been adequate or successful in making people aware of where they should direct complaints, given the changeover to the private sector. In asking that question, I have to say that I have been inundated over the last few months because of the number of power failures that are occurring in my electorate. In the 26 years that I have represented my electorate, I have never known the number of power failures to occur as is the case at present.

There is absolute confusion in the electorate as to where people should direct their complaints. Where previously they have been very clear and they have directed complaints to ETSA or to somebody in an appropriate position, they are confused and they are directing those complaints to me, and you, Treasurer, would be aware of that because of the number of letters that I have written to you in recent times. There is considerable concern. I am fed up to the back teeth with being advised almost on a daily basis that we seem to have an inordinate number of possums in the Adelaide Hills in recent months, and no-one will convince me that all the problems we are experiencing are the result of an increased number of possums. I am of the opinion that there is just not enough information and perhaps the advertising campaign has not been as successful as it might be in advising people where they should go if they have problems.

The Hon. R.I. Lucas: I think that is fair comment. I do not think there has been an advertising campaign as to where they should go.

Mr Foley interjecting:

The Hon. R.I. Lucas: I am very happy but I have not had as many in the last few months, so clearly they must be happier in aggregate than they were before and than in your area, Mr Chairman. The point that the Chairman has made is correct. One of the reasons that we have not conducted an information campaign to advise of the Independent Regulator, the Electricity Ombudsman and the new operators of ETSA Utilities is that, particularly in relation to the regulatory authorities, the Independent Regulator wanted to settle in his staff before they had to manage the complaints system. That has been relatively successful and we are in the process of considering an information campaign to try to highlight to consumers that, if they have a complaint of that type, they can visit a web site or call a telephone number, or whatever.

We now have two authorities for people to complain to, whereas in the past they could go to the company, their local

member or to the minister, and they can continue to do all those. In asking for advice in the short term, the answer is that they should go to the company. It is no different from any other private sector company that offers a service, and the company needs to be made aware when that service is unacceptable. In the first instance consumers should go to the company and seek to have the complaint dealt with, which is what would have occurred in the past. If they are unhappy with that response, they can go in two directions. They can complain to their local member or to the minister or, depending on the nature of the complaint, they can go to the Electricity Ombudsman or to the Independent Regulator with their complaints. As I said, they always have the capacity to go to a member of parliament or to the media and raise their concerns, as you, Mr Chairman, know many people do in trying to highlight their problems.

We acknowledge the issue. It is not that the advertising campaign has failed, because we have not done one since the Independent Regulator has established his new office. We are in the process of looking at an information campaign to highlight that basic information to households as to where they should go if they have a complaint.

Membership:

Ms Hurley substituted for Ms White.

Mr FOLEY: I turn now to interconnectors. Access Economics and Standard & Poor's concurred with the opposition, and the Treasurer was critical of them this morning. A report has been compiled by Port Jackson Partners Limited for the Business Council of Australia, and I find it hard to believe that the Treasurer would be critical of the Business Council of Australia given the conservative side of politics that he represents. Its report, which I found an extremely interesting read, is entitled 'Australia's energy reform: an incomplete journey', and I will quote from it because it conflicts significantly with the Treasurer's views and those of his advisers on interconnection. A couple of things should alarm all of us.

The report states that the scale of the price reduction realised by customers in New South Wales and Victoria has not been matched in Queensland and South Australia, and it looks at some of the reasons for that. It makes the point that the size and mix of electricity generation capacity in South Australia and the entities created in New South Wales and Queensland are currently unable to sustain competitive outcomes. It states that insufficient electricity interconnection links have been built, and we must bear in mind that this government, whilst an initial supporter of Riverlink, did all it could to frustrate it. When it comes to issues of interconnection, the report is extremely interesting, as follows:

A regulated interconnector is the theoretically more cost effective solution. . . Regulated interconnectors face many hurdles. The approval process is long. Application to NEMMCO, reference to a committee and a wide consultation, then consideration by ACCC after further consultation. Many people must agree.

It makes reference to the transmission entities in each state, their governments, and there are many opposing vested interests. The report continues:

In addition, the approval test in the code was shown to be faulty. A proposed South Australian-New South Wales interconnection (SARNI) apparently failed the test because of an unintended technicality.

The ACCC has recently proposed a new test that is intended to fix this problem. The report continues:

Entrepreneurial interconnectors may lead to under investment compared with regulated interconnection because an entrepreneurial interconnector relies on the extent of the price differences between the source and the destination state markets to make a profit, so entrepreneurial interconnectors will always try to maintain a large price gap between the two markets.

The report comes out strongly opposed to entrepreneurial interconnectors. It goes on to say that there is a potential for a mix but that regulated interconnectors will give the best way to transfer cheap price from one jurisdiction to another. Why does the government continue to have an opposite view to that?

The Hon. R.I. Lucas: If people want to support a transmission line for which, even if the state does not use it in a particular year or if we use it one or two days out of 365, South Australian electricity consumers have to pay a subsidy to the New South Wales government and taxpayers of \$15 million to \$20 million, they will support Mr Foley's contention and Riverlink. We just do not happen to think that is a sensible way for the South Australian market to—

Mr Foley interjecting:

The Hon. R.I. Lucas: Well, you are suggesting that. That is the proposal you are suggesting. The member might not like the response he is getting, but he will get it. The member is supporting the Riverlink proposal. He is supporting a regulated asset—the Riverlink proposal. All our advice has indicated to us that in a year, you use it once or twice in a year and for the rest of the time it is laying there gathering mothballs and whatever else; it is not being used, but the honourable member wants us to support it. South Australian consumers, the constituents of the member for Taylor about whom she was so passionately talking in relation to electricity prices, must pay—

Mr Foley interjecting:

The CHAIRMAN: Order!

The Hon. R.I. Lucas:—an extra \$15 million to \$20 million a year to the New South Wales Labor government and its government run businesses. If you want to support that sort of policy, listen to the member for Hart and his particular contention. Sadly, the member for Hart, the Hon. Mr Xenophon, the Leader of the Opposition and a variety of others—

Mr Foley interjecting:

The CHAIRMAN: Order!

The Hon. R.I. Lucas:—are wanting to support that particular notion. Most of the significant employer organisations in South Australia just want to see interconnection with the eastern states. They have a view—which we do not share—that long term this will be a permanent supply of much cheaper power. Our advice is that ultimately with the national market we will see an evening up in terms of the prices, but the business people—

Mr Foley interjecting:

The Hon. R.I. Lucas: No, this is the business view I am putting: it is not what we say. The business people do believe that forever and a day if we have another pipe that goes interstate we will get much cheaper power permanently from New South Wales and Victoria.

Mr Foley interjecting:

The Hon. R.I. Lucas: The member for Hart says that it is a very logical conclusion. It is logical in terms of the short to medium future: it is not logical in terms of a national market for the long term.

Mr Foley interjecting:

The Hon. R.I. Lucas: I didn't say that. The member for Hart is frothing at the mouth like a rabid dog over there. If he listened to the debate—

Mr Foley interjecting:

The Hon. R.I. Lucas: Well, at least respond to what I am saying rather than what you think I say. I did not say anything like that at all. We are saying that business people want to see interconnection. Some of those to whom I have spoken have got themselves into the technicalities of the debate about regulated or unregulated, but the vast bulk of them say, 'We want another pipe to come from the eastern states (as I describe their views to me) to be a permanent source of much cheaper power to South Australia.' Our advice is that ultimately that difference in price which exists at the moment will collapse so it will be much closer. Whether it comes together only time will tell, but we will see a narrowing of the gap. The view in New South Wales and Victoria is that long term the sorts of prices that the generators have been receiving and the spot prices in the New South Wales and Victorian markets are not sustainable.

Putting that to the side, the government is a very strong supporter of interconnection. We believe that unsubsidised interconnection is the way to go. We do not support the notion that we ought to be permanently subsidising New South Wales Labor government businesses that get themselves into major problems because of their trading issues, and their mates in South Australia trying to bale them out through support for a Riverlink interconnector. We do not think that is the way policy should be conducted.

The other attraction of an unsubsidised, unregulated interconnector is that it is a bit like National Power: they put up the money and they take the punt. They might make money if they are successful, but, ultimately, if they are not successful, they will lose. That is what a generator has to do: they have to generate power and, if they can generate it at a price at which they can sell it, they will make themselves some money. The same thing applies with an unregulated interconnector. If it is being used, they will make money. In the example I highlighted in regulation to Riverlink, if it is not used at all, the entrepreneurial interconnector does not make any money and the people who are operating it have to take their bat and ball and go home, because they are not making money out of their interconnector investment.

They take the risks, as generators must, whereas the cosy regulated asset interconnector (and, clearly, in terms of establishing a market you have no other option) has a role to play. However, when you have a choice between an unsubsidised one or a subsidised one, why on earth would you choose the taxpayers of South Australia having to pay a permanent subsidy to New South Wales? For the life of me, we do not know and we do not support it.

Mr FOLEY: I have a supplementary question. The Treasurer talks about this ongoing subsidy. He is saying that the New South Wales government proposal has in black and white that there is an ongoing subsidy if the interconnector is never used. Is that what you are saying? Is it a \$25 million payment that we must make if it is never used? I have never seen the proposal, so I would not know.

The Hon. R.I. Lucas: You obviously have not been following the debate too closely.

Mr FOLEY: You are saying that is what the New South Wales government has put on the table?

The Hon. R.I. Lucas: I am saying that all our advice all along, in all the conferences, in innumerable debates in this parliament, has highlighted the fact that, even if we are not

using it, the transmission charge is for a regulated asset. That is basically what it is. One of the reasons why they cannot get through NEMMCO at the moment is because it depends on whether or not NEMMCO agrees to give them permanent regulated asset status. That is the reality. We have nothing to do with the NEMMCO process. They are still trying to get approval from NEMMCO.

Mr FOLEY: You do bend the truth, honestly. I have read to you what NEMMCO—

The Hon. R.I. Lucas interjecting:

Mr FOLEY: That you bend the truth?

Members interjecting:

The CHAIRMAN: Order!

Mr FOLEY: I will rephrase that: the Treasurer is clever with words. NEMMCO knocked it back, as stated in this report, because of a flaw in the process, and that flaw has now been sorted out. For the regulated interconnector to have been of immediate benefit to our state, it needed to be up and running by now. There was a flawed process with NEMMCO. Your government seemed to think it was a great idea until something along the road changed your view. As this Business Council report states, we are paying twice the price for electricity in South Australia than are our eastern states' competitors and, more importantly, had the interconnector been in place the price differential would be as low as 15 per cent.

You cannot ignore those numbers. The cost of electricity is significant. You have taken the policy decision that you will stand free of the market and allow entrepreneurial interconnectors to be the solution, together with Pelican Point and other generation. You have every right to do that as a government, but I have a right to be a critic of it if I think it is a wrong policy—as I do. But, ultimately, the market will sort itself out. As the opposition has said repeatedly (and I will say it again for your benefit), whether or not a regulated interconnector is now viable, needed or able to happen is something that will be decided over the course of the next 18 months or perhaps longer.

If the opposition were to find its way into government, we would seek advice as to whether or not the market is behaving properly, that prices are being driven down and that there is sufficient competition. If independent advice to the government of the day is that that is not occurring it would have to look at what options were available and whether a regulated interconnector was still an option. Certainly, I am not committing the opposition to saying, 'We must build an interconnector.' The debate may have moved on, but we are talking about a policy choice you have made as a government that, at present, is not delivering cheaper pricing. Clearly, it will to an extent when Pelican Point is on-line but this report states:

Entrepreneurial interconnectors will exploit price differential between two markets.

There is no incentive in there for the entrepreneurial interconnector to buy cheap and sell cheap. They will buy cheap and sell it for as high as they can. As long as there is a market to exploit, that is the way they make money. I have no problem with that. That is their market niche, but clearly a regulated interconnector would provide us with better options—and that is certainly the view of many commentators. I would argue that you are in the minority of people arguing the line that you are, given the views of many industries in South Australia whose representatives speak to me, including many independent economic advisers such as

the Business Council. This is not just Danny Price's view: this is the view of Port Jackson Partners Limited. As the Treasurer said earlier today, only time will tell whether his punt is correct, but I have fears that it is not correct.

Mr MEIER: My question relates to the new power utilities providing additional powerlines to areas such as Yorke Peninsula. The Treasurer would be aware, as a result of earlier correspondence I have taken up with him, about very evident power fluctuations in the past few years, as well as some power decreases. Some of my constituents have had to run their electrical machinery and motors at 200 volts and 210 volts rather than 240 volts and that causes serious problems, particularly with speeds, etc., if the machinery runs at all. Whilst I am fully familiar with the way in which new power grid lines would have been installed under ETSA, what incentives are there for the new managers to construct a new, high voltage line either into an area, such as Yorke Peninsula or down the peninsula, to supplement existing electricity supplies?

The Hon. R.I. Lucas: High voltage remains within the government's responsibility until August, September when ElectraNet is privatised. In terms of distribution lines, obviously, that is now a responsibility for ETSA Utilities or Hong Kong Electric/CKI. If the honourable member's area relates to a distribution issue then part of this response will be similar to the response I gave to the member for Taylor. I advise the member for Goyder to have a discussion with the Independent Regulator to get a better understanding of how he sees this 40 hot-spot section of the performance incentive scheme operating.

If the Independent Regulator agrees with either the member for Goyder or the member for Taylor that their areas are in the 40 worst performing areas or hot-spots (they do not have to necessarily be the worst performing; it is ultimately a question for his judgment as to what is important) and if they can be included as part of that scheme, that might be part of a medium-term way of ETSA Utilities saying, 'Okay, my performance will be monitored on these 40 hot spots,' one of which might be the area to which the honourable member refers.

In relation to high voltage, a similar performance incentive scheme will exist for ElectraNet. Although, clearly, the issues in terms of new high voltage lines do not arise as frequently as distribution lines, a similar debate or discussion could be had by the honourable member, the Independent Regulator and his staff. In the short term, as the honourable member has done, he can continue to raise the issues with me and I will raise them with ElectraNet and the board. They consider the issues and decide commercially whether or not they believe it is justified to put in the additional expenditure. I have not operated as a Treasurer in the capacity of directing the board to spend money in a particular area on a particular problem: it has been left to the board's commercial judgment as to whether it believes that expenditure is required in a particular area.

I would otherwise leave myself in a position where I am running the detailed operation of either ETSA Utilities or ElectraNet and, obviously, I do not have the capacity to second guess all of those detailed decisions. As the minister for the next three or four months, or however long it is, I do have the capacity to continue to raise the issues with ElectraNet and, if the honourable member continues to write to me, I will continue to raise the issues.

Mr MEIER: I take it from your answer, Treasurer, that penalties could apply if it were shown beyond doubt that parts

of, say, Yorke Peninsula, or any other part of South Australia for that matter, were suffering as a result of an insufficient power supply to that area due, perhaps, to a burgeoning of new homes in a particular area.

The Hon. R.I. Lucas: The general answer is that the framework exists for that to occur, but the performance incentive or penalties, which I tried to highlight to the member for Taylor earlier, would not be based only on one particular area and how you perform in that area. There are a series of measures, including overall aggregate measures in terms of outages and then hot-spot areas in terms of the individual calculations. The Independent Regulator will look at his overall assessment of the performance of the body, good or bad, and then make a judgment.

Heaven help us but it could be the case that the authority performs magnificently in every area with the exception of the area covered by the member for Goyder. On that basis it might still be entitled to some incentive, that is, if it has met every performance measure with one exception.

Mr MEIER: I think back during my time as the local member and I recall the installation of two additional powerlines to the area: one coming from a substation west of Port Wakefield, which came right through to the Kadina area; and the other line came from a similar position nearby to Yorketown. They were large capacity powerlines and they were installed before any real problems occurred. The electricity supply was installed ahead of time. I just hope that there will continue to be that sort of foresight in development. Obviously they were multimillion dollar lines. They were subjected to environmental impact statements and a lot of consultation.

I know that I was personally involved in trying to reroute some of the lines. If they had travelled across some of the paddocks they would have caused problems for farmers in terms of their opportunities to spray using light planes. ETSA was very helpful in relocating the route to some extent.

The Hon. R.I. Lucas: I have been reminded that the government has established a Planning Council to look at some of these issues right across the state—not only issues relating to interconnection but delivery of power throughout the state. That is another body which may well provide advice to both the government and to industry generally about the power needs in various parts of the state. That might be another vehicle for the honourable member. Mr Ron Morgan is newly appointed as the Chief Executive of the Planning Council. Members would know Mr Morgan. The honourable member might want to have a quiet word with him in terms of the council's future role.

It does not direct but it provides advice and it will be able to raise with industry, governments, oppositions or anyone, the planning needs in terms of energy for the state. It will tackle not only aggregate issues but also some of these issues. The only point I make in terms of the honourable member's issue is that, under the newly competitive government or privately operated environment about which we are talking, you are unlikely to get benign government-owned utilities with large amounts of taxpayers' money significantly building over capacity much earlier than they are likely to get return on their investment.

In the past, governments have been able to do that. The consumer has just paid a higher price for electricity. The price was just ratcheted up, you built the additional capacity and people could grow with it. I think it will be a much finer balance and that is where the Planning Council, the industry and others will have to work better. Clearly, companies will

not invest unless they get some return on the assets they are putting in. They are not going to overbuild capacity in the hope and expectation that 10 years down the track they will get a return on their investment.

If the import of the honourable member's question was that, in the past, significant capacity had been built, that might be possible as long as there is enough income generated to justify the investment. It is a business and it will need enough income to justify the investment. It might have the additional growth afterwards but it will have to have at least that threshold level of income flowing through to justify its board's decisions.

Mr FOLEY: That is a very important point, and this is not meant in a political context: it is the reality, and that will be the test for all of us, whether it is the Treasurer, me or whoever sits in that seat as the minister for electricity in the future. That tightness between supply and demand will be an extremely politically explosive issue because if we get it wrong we will be hard pressed convincing the punter that that was an unfortunate lack of proper planning and they can live with it. Quite rightly, consumers have developed an expectation that electricity is always there. I wonder how any of us will deal with that into the future. That may be a nice discussion point for another day, but how do governments stimulate those signals to get the private sector investment in there? If we wait for the exact time commercially for the private sector to put in investment, it will be very tight. I do not know what the answer is, and I do not know what signals and encouragement we can give. Perhaps, Ron, that is part of your role in the future—to provide some of those signals. The Treasurer's ability to take some cash out of our remaining electricity businesses would appear to have assisted him greatly in delivering his bottom line for this financial year. In his budget papers, the Treasurer referred to AGL's loss of \$20 million, with a corresponding profit for Optima and Flinders. What were the total cash reserves taken from Terragas Traders, Synergen and other government electricity businesses in the current financial year?

The Hon. R.I. Lucas: I am happy to take that on notice. What the honourable member said earlier about the AGL situation is partly true: we do not get it all back in Optima because Boral is privately owned and the interconnector seeps a bit out of the system. The generator unexpectedly made some significant money in February at AGL's cost. The wisdom of doing contrary to what we were being told we should have done, that is, to sell the generators first—and I think that came from the member for Hart's lips at one stage—and hold onto the others might have been proved by the events of February. We are happy to take that on notice and provide an answer to all members in the normal estimates committees process.

The CHAIRMAN: I declare the examination of this vote completed. I thank the Treasurer and his officers. The Treasurer might be interested to know that since 11 o'clock this morning he has answered some 73 questions.

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

Department of Industry and Trade, \$128 868 00
Administered Items for Department of Industry and Trade,
\$3 380 000,

Departmental Advisers:

Mr J. Cambridge, Chief Executive Officer, Department of Industry and Trade.

Mr J. Hallion, Deputy Chief Executive Officer, Department of Industry and Trade.

Dr D. Swincer, Executive Director, Department of Industry and Trade.

Mr M. Krasowski, Manager, Business and Financial Services, Department of Industry and Trade.

The CHAIRMAN: I declare open for examination the proposed payments. The Treasurer has indicated that he does not wish to make an opening statement. Does the deputy leader wish to make one before asking her first question?

Ms HURLEY: I would like to make an opening statement on this portfolio's Program Estimates tonight. The one issue that interests me greatly in the Department of Industry and Trade—and this will come as no surprise—is that of the department's Chief Executive Officer, Mr John Cambridge. If the minister will bear with me a while I will outline the reasons why I want to bring this issue to the attention of the committee before asking a series of questions. In this case I hope the minister will answer the questions with clarity and candour. This is a serious matter which I still believe warrants a full independent investigation, and I will continue to push for that investigation for as long as it takes to get the real answers, and I put the minister on notice about this tonight.

Recently, with figures gained via several freedom of information requests, the opposition has been carefully studying the spending habits of Mr Cambridge, particularly as it relates to what has been achieved for industry development for South Australia and what it has achieved for Mr Cambridge. Mr Cambridge is well known for making numerous overseas visits in the name of business for South Australia, especially to Singapore, which just happens to be the headquarters of a manufacturing company, New Toyo International, of which Mr Cambridge has been a paid director since it was floated on the Singapore Stock Exchange in January 1997. In terms of the potential for conflict of interest, this second job that Mr Cambridge has in addition to his \$230 000 a year job with DIT worries the opposition greatly, especially because Mr Cambridge occupies a very important position in government and works in the same area in which he is involved in the private sector.

In addition, it has already been found that he has had a conflict of interest but was counselled for it only after it was revealed in the media. It also worries me in terms of our reputation in Australia and overseas. Given the fiercely competitive nature of investment attraction among all states of Australia, we need to ensure that issues involving our state's professionalism, integrity and industry development are above question and seen to be above question. We already have it on record that Mr Cambridge had a conflict of interest over his dealings with the Zhong Huan group, when it was discovered that he failed to declare that he was a director of the Zhong Huan group's Australian based company. At the time of Mr Cambridge's directorship, the Chinese parent company was holding talks with the Premier about government assistance to convert the former tax office in King William Street into overseas student accommodation.

I still find it extraordinary that Mr Cambridge had failed to mention his directorship to the Premier or even that he was a co-director of a company with one of Zhong Huan's Australia managing directors, Mr Harry Tu, when he was sitting around the table with the Premier in China in January last year with Mr Tu and other members of the company. Mr Cambridge has claimed that he did not know he was a director and that it was only an honorary—a nonsense! By

law he must sign a form agreeing to become a director prior to his appointment as one, and Mr Cambridge appears to well understand company law.

We later discovered that Mr Cambridge also had a conflict of interest as a board member of the Education Adelaide group when he lobbied the board on behalf of Zhong Huan to fill the building with overseas students—again failing to declare a conflict of interest which came about as a result of his close links to Mr Harry Tu and the SA Golden Investment Company. We learnt from the Premier yesterday that no action was taken to discipline Mr Cambridge on either occasion, even though the Public Sector Management Act views conflict of interest very seriously.

John Cambridge appears to be a bit of a 'Mr Teflon' inside the South Australian public service. This is in stark contrast to the treatment dealt out to the former CEO of the Department of Industry and Trade, Mr Ian Dixon, who immediately underwent an internal investigation over a possible conflict of interest when it was leaked by an anonymous senior public servant to the *Advertiser* that a DIT contract had been awarded to a Queensland firm that had once, some years before as I understand it, employed Mr Dixon's wife as a consultant.

Mr Dixon was totally cleared in that investigation. However, while the powers that be believed an investigation was warranted for that, they did not believe the same when it came to investigating claims about Mr Cambridge even when, in his case, a conflict of interest was so apparent.

Mr Cambridge was reappointed to the department's CEO position on 31 August last year after a hiatus in the Premier's Department as the CEO of the Office of Asian Business and State Development. The former minister, Ian Evans, announced in June last year that the Office of Asian Business had been wound up because of the 'Asian economic downturn', which were his words, not ours, thereby indicating that the opportunities for Asian investment in this state were drying up.

That struck us as being highly inconsistent with claims by Mr Cambridge that his vigorous overseas business schedule was bringing in big investment dollars. The closure of the Office of Asian Business coincided with Mr Cambridge's taking a three month, \$150 000 plus consultancy with New Toyo International in Singapore while on annual leave from his regular day job.

While on that topic, I must say that it was confirmed last night that it is a highly unusual practice to grant CEOs time off in lieu for weekends spent on overseas trips. I find it rather interesting that Mr Cambridge is such a favourite son inside government that he was able to extend his period of leave by 10 days last May by asking for, and receiving, this time off in lieu. For someone on his salary, I find that preposterous.

Mr Cambridge is now well known for spending taxpayers' money on overseas visits at a rate that most people would consider to be at the high end of the scale. Indeed, it seems that not only did Mr Cambridge clock up more than \$203 000 in credit card spending in two years, but also he spent thousands of dollars in travellers' cheques for those trips.

Based on historical exchange rates and on the unspent returned cheques, he spent a further \$40 000 in travellers' cheques, that is, nearly a quarter of a million dollars for one public servant to travel, to wine and dine both here in Adelaide and around the world, to buy gifts, travel, liquor, golfing day subscriptions, memberships to professional organisations, luggage, \$1000 dictaphones and limousines

over a two-year period. That is of considerable interest to the opposition, especially when the government is now telling low income families that they cannot afford to pay them rent relief of \$17.50 per week. As a responsible opposition, we want to ensure that all this money has been properly accounted for and spent in accordance with stated public sector guidelines and ministerial approval. I would like to know that this spending has had direct palpable and positive spin-offs for the taxpayers of this state and to do this, unless I receive straight answers and direct evidence, I want this spending scrutinised by an independent investigator.

We are also concerned about another possible conflict of interest regarding Mr Cambridge and a Singapore trade officer, Mr Tay Joo Soon, whom we understand is one of the 10 largest shareholders of New Toyo International. Given that this government has supplied industry incentives to one of New Toyo's wholly owned subsidiaries here in South Australia, that makes the relationship between this government, Mr Cambridge, our Singapore trade office and New Toyo entangled, to say the least. This entanglement was further highlighted when it was discovered that Mr Cambridge had admitted to a newspaper that he had assisted the head of New Toyo International, his other boss, Mr Stephen Yen, to purchase a liquor outlet in Adelaide. It then emerged that the Department of Industry and Trade had purchased thousands of dollars of liquor from this suburban liquor outlet after the outlet had been purchased by Mr Yen. Again, the government ignored this potential conflict of interest as being of no interest to it.

Mr Cambridge was reappointed to his current CEO's position without an interview process. The Premier told the parliament last September that he had decided to reappoint Mr Cambridge because he was the most capable person for the position. The Premier said that, in Mr Cambridge's absence from the top job at DIT, our state lost major investments such as the Qantas call centre, and that South Australia could not afford to make such errors attracting investment. If that was the case, perhaps the Premier should have explained why it was that South Australia failed to secure the Teletech call centre while Mr Cambridge was CEO of the then Economic Development Authority. Teletech was supposed to deliver our state 1 000 jobs, and we were told in September 1997 that it was a done deal. And, curiously, a year after Mr Cambridge's departure from the position of CEO of the EDA, the Premier was trumpeting the achievements of the first 12 months of the newly restructured department's business investment attraction program. He said that this program had created 4 600 jobs and \$335 million in investment dollars in 75 projects. So, the Premier's sudden about-turn last September on his views about the department's ability to attract investment without Mr Cambridge at the helm was rather peculiar.

The Premier also went to great lengths to explain that Mr Cambridge—and any public sector worker, for that matter—could do as they liked while on leave. He also said that we did not own the intellectual property of our CEOs; that we only rented it. He was wrong on both fronts. The Public Sector Management Act views very seriously public servants having second jobs, especially when they give rise to a conflict of interest. There is no evidence that Mr Cambridge ever received written permission to undertake his consultancy to work with New Toyo international while on extended annual leave last year. Perhaps he can show us the evidence today if I am incorrect, but in a freedom of information request by the opposition we were told that none existed.

Mr Cambridge also appears not to have complied with the regulations under the act and disclose the exact nature of his work with New Toyo, nor has he listed the remuneration which he received then, or which he receives now, as he is supposed to do under the disclosure rules. The Auditor-General recently confirmed to the Economic and Finance Committee that while a person is working for this government we do, in fact, own their intellectual property. Again, the opposition is at a loss to understand why it is that Mr Cambridge appears to hold such a privileged position in the Olsen government.

In the media, Mr Cambridge defended his credit card spending, claiming that the returns for his extravagance were 30 fold because he was personally responsible for attracting more than \$432 million in business investment in this state as a result of his overseas trips over that two year period, even though the Office of Asian Business was wound up due to a lack of interest. However, the annual reports of DIT show that, in 1997-98, the department attracted investment of \$376 million into South Australia, and then in 1998-99 it attracted \$223 million. In other words, the department, while Mr Cambridge was not CEO, attracted about \$600 million investment into South Australia over two years. That is quite an impressive record—although this annual investment figure has dropped, it is noted, since Mr Cambridge has returned to the CEO's position.

Yesterday, the Premier directed me to ask the minister any further questions about Mr Cambridge. He assured me that the minister would be able to supply the answers. My first question to the minister is: is the \$600 million of investment claimed by the Department of Industry and Trade in those two financial years in addition to the \$432 million claimed to have been attracted by Mr Cambridge, which would mean that our state attracted more than \$1 billion of investment in those two years, and can we be supplied with a list of those investments?

The Hon. R.I. Lucas: That is a silly question after a silly performance from the deputy leader. It is not surprising that very few of her colleagues were prepared to be in here to support her—in particular, her front bench colleagues. There is not much support for the approach that the deputy leader is adopting.

Ms Hurley interjecting:

The Hon. R.I. Lucas: We are not engaged in this particular exercise. Before responding, I did not make an opening statement but there is a correction that I should have made to one of the budget documents, for the interest of members. I refer to the table on page 4.4 of budget paper 4, volume 1. Under the heading 'Portfolio revenue by output class: industry development,' there appears an amount of negative 2.381: the correct number should be positive 1.171. The error arose in transcription between this table and the table appearing on page 4.12 of the same publication. I apologise for that minor error.

As the new minister, let me first make some general comments before I make some direct comments in relation to what we have just heard. What I want to say at the outset is that, as the new minister working with John Cambridge and his team, I believe that John would be the first to say that the achievements of the department are not the achievements of John Cambridge alone: they are the achievements that are earned after a lot of hard work from his hardworking team both here and in the overseas trade offices. So, the silly part of the question from the Deputy Leader of the Opposition that

the chief executive is personally claiming credit for \$432 million, or whatever the figure—

Ms Hurley interjecting:

The Hon. R.I. Lucas: Not personally claiming credit for doing it. John Cambridge would be the first to acknowledge that this is the work of a department of hardworking people. As his new minister, I acknowledge the hard work that he undertakes on behalf of the government and the state. I understand the politics that the opposition has played and continues to play, and nothing that I am able to say this evening or at any other time will make the Deputy Leader of the Opposition stop playing games. That is the way she sees her role in the opposition. I think that people are wanting to see a bit more than whingeing and whining from the opposition, which is all we get from the leader, the deputy leader and others. But that is a judgment call for them ultimately to take. However, I want to place on the record my acknowledgment, and I believe that we should thank John and his team for the work that they have undertaken and continue to undertake. Certainly, we know, and I am still learning the detail of this portfolio after just three months or so—

Ms Hurley interjecting:

The Hon. R.I. Lucas: That is another juvenile comment from a puerile Deputy Leader of the Opposition. She can continue—

The Hon. G.A. Ingerson: Short term—

The Hon. R.I. Lucas: Very short term, exactly—if one looks at the poll results for the seat of Light.

The Hon. G.A. Ingerson interjecting:

The Hon. R.I. Lucas: We will be very interested. I am happy to respond to continuing puerile interjections from the deputy leader if she wants to play the game that way, but I will endeavour to respond to the questions. Having been interrupted for the second time, I want to acknowledge on behalf of the government the hard work that John and his team put in. I know for a fact that a good number of investment deals that ultimately get put together in the interests of investment in South Australia come as a result of the personal touch of Premiers, in particular, and to a lesser degree ministers and chief executives, who can be important, and other officers and trade officers who put together the personal networks and contacts that may for investors, when they choose to invest either in a state in Australia or another country in the world, just be the little bit that puts it over the edge in terms of investment.

A number of investment deals are not just the result of trips overseas, although a good part of them are as a result of the contacts, the networks and the hard work of not just John but also the Premier, who has been prepared to put up with the criticism about travel because he knows and we know the value of a number of the deals. We were advised at a meeting of the trade people within our department, whom I met for the first time earlier this week, that it is quite possible that one of the biggest investments we have seen in South Australia from the Asian region was the result of the personal networking of both the Premier and senior officers representing the government over time.

The Leader and Deputy Leader of the Opposition can laugh and giggle at those sorts of facts, but that is the reality. In this business, no-one owes us anything in South Australia. We could go on, if we wanted to, about the way the Labor Party has treated South Australia in terms of trying to encourage overseas investors. You have Mike Rann, the member for Ramsay, talking about 'the communists are coming' and the 'reds under the beds.'

It was such an embarrassing comment to come from a Leader of the Opposition and one that was disowned by his own party and front benchers; disowned by Senator Nick Bolkus; and disowned by the shadow Minister for Emergency Services publicly and privately at a number of forums. That is the sort of attitude we have from the Leader of the Opposition and the Deputy Leader towards foreign investors, people who are prepared to invest their hard-earned dollars in South Australia so that South Australian families and workers can actually be employed.

We have seen that sort of sleazy, slimy campaign from the Leader of the Opposition for years, and now we are seeing it from the deputy leader. When National Power looked to invest in Pelican Point, we had a smear campaign against it. When EDS was investing in computers here in South Australia, we had a smear campaign against it. When United Water and the other water utilities invested, we had a smear campaign, all coming from Mike Rann and Kevin Foley, and now we see Annette Hurley, the member for Napier—

Members interjecting:

The Hon. R.I. Lucas: She would like to be the member for Light. We have a Leader of the Opposition trying to smear major investors who are being courted from around the world in terms of the billions of dollars they have to invest in other countries and other states, and talking about 'the communists are coming' and the old 'reds under the beds'—Mike 'Reds under the beds' Rann, in terms of his approach to foreign investment.

It is this sort of anti-Asian investment smear that the Labor Party is associating itself with which does it no credit and does the Deputy Leader of the Opposition no credit at all when she climbs down into the gutter with her own leader on some of these issues. Obviously, I am a visitor to your esteemed chamber, although I know the proceedings and operations within my own chamber. A very significant court action is going on at the moment where, on at least 20 or 30 counts, a number of the claims being made by the Deputy Leader of the Opposition—

The Hon. G.A. INGERSON: She wouldn't know about that.

The Hon. R.I. Lucas: I am sure the deputy leader understands but continues to persist, anyway. John Cambridge has issued proceedings before the District Court at the moment. A series of very serious defamations is being alleged by John Cambridge against the *Australian* newspaper and various of its employees. In my own chamber we have a convention that is respected, I understand, in all parliaments in the Westminster tradition, in terms of matters sub judice. In relation to some of the questions, I will make a judgment—

Ms HURLEY: I have asked one question!

The Hon. R.I. Lucas: We listened for 20 minutes to the deputy leader's diatribe, which canvassed, as she knows, a number of areas which in this privileged place she again placed on the record; matters which are the subject of defamation actions and which the deputy leader knows to be the subject of defamation actions. The deputy leader has been advised, I know. She has had discussions with interested parties within the *Australian*—

Ms Hurley interjecting:

The Hon. R.I. Lucas: You have so. I am aware of those discussions that you have had. You have had discussions and you are aware of the very serious case that is before the District Court.

As I said, I am seeking your guidance, Mr Chairman. The issue about the amount of investments is clearly an issue I can endeavour to respond to and, if not now, provide information on. But I listened again to what the deputy leader said for 15 minutes tonight, which was much the same as what she said last night, so she has already done it. To be fair about this issue, some very serious claims have been made in the public arena. An individual who has rights to defend himself has chosen to take up those rights very vigorously to defend what he believes to be serious defamations.

The Deputy Leader of the Opposition uses the privilege of this House to come in here again, as she did last night, to repeat under parliamentary privilege all those defamations, when an individual is trying to defend himself against those serious defamations. That is appalling behaviour from the Deputy Leader of the Opposition. I believe that it is beneath contempt: that she should know that if a court action is ensuing, that someone is trying to defend himself against what he believes to be defamatory statements, a large number of at least 20 to 30, I understand—

Ms Hurley interjecting:

The Hon. R.I. Lucas: There is plenty of opportunity. The deputy leader has had fair game for months in relation to this issue. When the court case is concluded, she will have months again to use the privilege of this House. But there is a convention, certainly in the Legislative Council and I would assume also in the House of Assembly that, if a matter is before the court, in fairness to all the parties, both defence and prosecution, members of parliament, particularly senior members like the Deputy Leader of the Opposition, do not abuse the sub judge provisions of the chamber and make those claims under parliamentary privilege and, through that, obviously, seek to have them reported again, potentially to influence in some way the carriage of an individual's attempted defence on this issue.

After I hear from you, Mr Chairman, as to what you believe to be the conventions of this chamber in relation to matters sub judge, I believe that the first question is one that will not significantly cut across most of the major issues of contention in the defamation action.

The CHAIRMAN: The chair is not aware that the deputy leader has raised matters that are before the court. As chair, I am not aware that that is the case as far as sub judge is concerned. Obviously, the matter of sub judge is something that this House takes very seriously, as is the case with the other chamber to which the Treasurer has referred.

The Hon. R.I. Lucas: I thank the Chairman for that. On the understanding that the conventions here are the same as those in the Legislative Council, I advise the chair that proceedings have been issued in the District Court and they canvass all or most of the areas raised by the deputy leader in her opening 15 to 20 minute salvo in this chamber. On the basis of the advice from the chair that the conventions on the sub judge rule in this chamber are the same as those in the Legislative Council, in relation to questions that I believe to be before the courts at the moment, given that I am a visitor or a guest in this chamber, I will observe the sub judge convention of this chamber.

In her question relating to investment, as I understand it, the member referred to figures contained in two previous reports, namely, 1997-98 and 1998-99. I do not have those figures with me. We are here to talk about the 2000-01 budget, which is what is before us for discussion at present. I ask the member to refer to the budget document and the line on which she bases her question.

Ms HURLEY: I am asking a general question about the annual reports of the Department of Industry and Trade. I was asking about previous, total budget figures. If the minister cannot answer it, I am quite happy to take it on notice.

The Hon. R.I. Lucas: I understand that the 2000-01 budget documents are before this committee, which is what the estimates committees are about. I am not sure whether the deputy leader understands estimates committees. Estimates committees are about the budget documents for 2000-01. If she wants to go for a wander through the annual report for the department from 1998-99 it should not surprise her that I do not have that report with me, for the following reasons: (a) I was not the minister; (b) it is three years ago; and (c) if she wants to ask those sorts of questions there are other forums, in particular, question time or questions on notice, through which she can put those questions. I am surprised that the deputy leader does not understand the proceedings of the estimates committees and asks a question that appears to be out of order.

Ms HURLEY: I refer to output class 3, page 4.8 of industry development, and I repeat my question. I understand perfectly how estimates work and, if the minister does not have the information (and I understand why he may not), I am prepared to take it on notice.

The Hon. R.I. Lucas: We do not have the annual report for 1998-99. If the honourable member wants to ask me questions about what this estimates committee is about—

Ms HURLEY: If the minister does not know and he cannot be advised about the investment attracted by the Department of Industry and Trade, which is a pretty core function of that department, I am quite prepared to take that on notice.

Mr LEWIS: You mean you want the minister to take it on notice?

Ms HURLEY: Yes.

The Hon. R.I. Lucas: The deputy leader can take that on notice; we would all agree with that. I am not sure that she knows what she is saying: she is a bit flustered at the moment. I can talk about what is before the committee at the moment, and that is the year 2000-01 budget documents, and there are references in those documents to the performance of 1999-2000, to which I can refer. However, I do not have, nor should I be expected to have, three and four year old departmental reports, because they are not before the committee. It is out of order. If the member wants to do a bit of research, she can do so.

In relation to investment activity for 1999-2000, for the period from 1 July 1999 to 30 April 2000 I am advised that InvestSA has assisted 41 companies. It is expected that approximately 1 095 direct jobs will be saved and 2 043 direct jobs will be created. The estimate is that some 3 438 total direct jobs and a further 3 223 indirect jobs are expected to result, making the total employment impact estimated to be approximately 6 661. Capital investment of \$219.6 million is expected to result. Additional gross state product is estimated in present value terms at \$1 742.2 million, and additional state taxation revenue in net present value terms is estimated to be \$104.5 million.

That is a 10-month period, rather than a full 12 months. In the annual report of DIT, we will report on the full 12-month figures from July to June. Previous performances appear in the annual reports for previous years and, for the reasons that I have indicated, I do not have them before me at the moment.

Membership:

Mr Scalzi substituted for Mr Meier.

Ms HURLEY: I can quite understand that the minister is new to this portfolio and has been dropped into this situation, so he wants to avoid any suggestion that he is associated with the history of this department. He has developed an interesting way of trying to avoid these questions. The Premier avoided them simply but by not answering them; this minister is trying to think of rather more creative ways to avoid the question, and I suppose that I admire him for that. My questions are all about protocols of the department and budget arrangements, and I will continue on that line. What protocols are in place and exactly how do they work in directly avoiding any conflict of interest between Mr Cambridge and Mr Tay Joo Soon; between Mr Cambridge in his role with New Toyo and the government; and between Mr Tay in his role with New Toyo and the government; and so on?

The Hon. R.I. Lucas: Mr Chairman, based on your advice in relation to sub judge, it is clear that a number of those issues traverse the defamation action in the District Court at the moment, and it would not be fair for me or the deputy leader to continue to speculate in this area. The individuals should be able to have their day in court. One way or another, there should be a victor, although that is not always possible in the courts system, and then the deputy leader will have her day in parliament again when she can smear anyone she likes under whatever guidelines she chooses to use in terms of her own approach to things. It is only fair to allow people to have their day in court and, if they have alleged a serious defamation, they should be entitled to defend themselves without being smeared repeatedly by the Deputy Leader of the Opposition.

Ms HURLEY: I object to that interpretation of my question. I merely asked what government protocols are in place. It has no relationship to any defamation action, about which I have no knowledge, in the District Court. I have asked what protocols are in place in government to avoid conflict of interest within the minister's own department. I ask only in general terms, and I gave the example of Mr Cambridge and Mr Tay Joo Soon because it appears that there is a conflict of interest. What government policies and protocols are in place to avoid that conflict of interest? I do not accept that it breaches the sub judge rule.

The Hon. R.I. Lucas: The member identified a particular allegation that she is making, and continues to make, in defiance of the sub judge conventions of this chamber, as have been described, and I do not believe it is fair. If the member wants a copy of the guidelines, the legislation or the regulations, I am happy to take that on notice and provide it to her in relation to the general provisions that apply. That was not the question that she asked. If she wants to actually recraft her questions, and actually think on her feet rather than read out everything that has been given to her—and that might not be possible for the Deputy Leader, given that everything is written for her—if she can do that without going to the gallery and having it rewritten, I am happy to continue to try to respond.

Ms HURLEY: Apart from insulting me, the minister has given no answer. I want an answer as to what government protocols are in place.

The Hon. R.I. Lucas: That was not the member's question. If the member is going to ask a question about general—

Ms HURLEY: What protocols are in place; exactly how do they work; and is there a conflict of interest?

The Hon. R.I. Lucas: If the member is asking for a general description of the protocols—

Ms Hurley interjecting:

The CHAIRMAN: Order!

The Hon. R.I. Lucas:—rather than, as *Hansard* will record, a further insinuation and allegation in relation to conflict of interest issues, which are the subject of court actions at the moment, then in terms of the general question I am happy to produce to the member, and provide to the chair and committee, all the legislation, regulations and guidelines that apply to public sector officers. I cannot imagine that the Department of Industry and Trade has anything different from any other department in terms of guidelines.

Ms HURLEY: Why aren't you following them?

The Hon. R.I. Lucas: Again, the member seeks to make allegations which are the subject of court action. She can continue that way if she wants but, based on the explanation about sub judge conventions in both this chamber and the other chamber, I will not enter into that debate.

Mr LEWIS: My question is about the Adelaide to Darwin railway. What can we expect to get for the \$150 million we are spending, in terms of economic benefits and whatever else may be available to us arising from that investment? I am seeking information on two fronts. First, once it is completed, in terms of any study that Treasury or government has otherwise undertaken, how will it benefit the economy in South Australia? In addition, during the process of construction, what benefit is the government trying to secure for South Australian businesses?

The Hon. R.I. Lucas: Clearly, the overriding objective for the railway has been, and will be always, increased export potential for South Australian companies and businesses through the Port of Darwin and into the Northern Territory. Obviously, that opens up the market in not only the Northern Territory to a greater degree but also Asia in particular. In terms of increasing our global competitiveness, savings in freight times to major destinations will be an important issue.

Some work is being done at present through the Partners in Rail initiative. I have an initial description of average time savings which have been done and which will be of interest to the member for Hammond and others. When that work is concluded, and if it can be concluded in the next couple of weeks, I will provide that to the member. In general terms, if you look at an average time of goods being despatched currently through Melbourne and around to Asia to destinations such as Tokyo, Singapore and Manila, I think the numbers I was given were five to six days but in some cases up to 10 to 15 days. Under the new arrangements to Darwin through to the particular destinations, compared with now, the time savings could be between five and six days and 10 to 15 days.

The member for Hammond will know, as a result of his interest in export and import, that for some goods that may be a very significant issue. The Premier talks often about chilled pork as opposed to frozen pork. He has given that as an example of a time-sensitive good. One of our major automotive component manufacturers has told me that, ultimately, if we could deliver time savings of five to 10 to 12 days to some of these destinations, they would be interested in having a good hard look at freighting.

Mr Lewis interjecting:

The Hon. R.I. Lucas: Certainly the pigs, and in relation to the automotive components their view was that if the railway can deliver those average time savings they would be interested in using it. Increasingly, in the automotive industry and a number of other areas, the issue of being able to get to market quickly is important. Sometimes people might want components for motor vehicle manufacture. If they have a choice of someone on their doorstep or someone who takes three weeks to deliver the components, all other things being equal, they will take the one that is closer to get the product as quickly as possible.

Some initial work has been done which indicates that we could lower the costs of South Australian goods and increase South Australia's market share of 8 per cent annual growth in the Northern Territory. That is the other potential benefit in relation to the railway as well. If there is further information in terms of the average reduction in time lines to some of the major destinations in Asia, I will provide that by way of a further answer to the member's question.

Mr LEWIS: To get to the meat of it, without being funny, and as a supplementary to the question I first asked, has an economic benefit study been done quantifying what the expected annual benefits to the South Australian economy will be once the railway line has been completed? If it has not been done, when is it likely to be done? I am sure everyone can see that there will be benefits in it, but we ought to quantify them, not for any other reason than it enables the public to see what a sound investment it is—or not for that matter.

The Hon. R.I. Lucas: The member is obviously correct in his assertion that if you intend to spend this amount of money you would want to do some cost benefit studies. I am assured that two studies have been done, one by Access Economics and another one. In relation to future presentations to the Public Works Committee that industry and trade—

Mr Lewis interjecting:

The Hon. R.I. Lucas: There is updated work because these are dated. Updated work is being done in relation to recent information. It is the department's full intention to provide updated information in terms of the cost benefits of such a significant sum of money. We are putting in \$150 million over a period of time. It is a very significant investment from the people of South Australia to a major infrastructure project.

In the briefing before me—as I said, this is being updated for the Public Works Committee presentation—one of the previous studies indicated that the total estimated benefit for South Australia is expected to be between \$250 million and \$600 million. That is a very broad parameter, obviously.

Mr LEWIS: Is that net present value?

The Hon. R.I. Lucas: Yes, and that is being updated. The member, wearing his other hat as chair of public works, will be provided with updated information to explain the reason why we are heading down this particular path.

Mr LEWIS: The other part of the question was: what strategy do we have in place to secure benefits for South Australian businesses that could be involved in the construction phase?

The Hon. R.I. Lucas: In the construction phase?

Mr LEWIS: Yes; have we a strategy in place to enable us to get our businesses to be sharp in their pencilling to get some of that work? If we spend the money in foreign policy—and this is what it amounts to—you do not usually give the aid unless you are going to get the jobs.

The Hon. R.I. Lucas: The Partners in Rail project has been established exactly for that reason. I think the Premier is using a figure of some 660 companies which have registered interest, ranging from steel and concrete (being the bigger sections of the potential contract) right through to, I am told, an aromatherapist who has registered a business interest.

Clearly, a huge range of business opportunities exist in the construction stage. The successful consortium said that 70 per cent of the total value of work would come from South Australia and the Northern Territory. We are obviously doing all we can through Partners in Rail to ensure that we get the lion's share—and I say that quietly so that the Northern Territory does not hear, but I am sure that it has the same view—of the 70 per cent of work that has been promised by the successful consortium.

One example was given to me when I visited Partners in Rail the other day. That organisation highlighted to me that 2 000 construction workers will be employed on this project and, on average, they will consume 10 litres or 10 bottles of water per day. The bottled water companies in South Australia are salivating at the prospect of getting a contract for X bottles of water for 2 000 people for X months in terms of the construction. People look at the BHPs and the Adelaide Brightons and say, 'This is a huge issue for those companies', and they might have half a chuckle about an aromatherapist, although I am sure that if he or she reads this I will have to apologise later. A range of small businesses will be involved, such as bottled water manufacturers and suppliers and others who potentially could see a very significant boost to their business in this period as we head through the construction stage.

Mr LEWIS: The aromatherapist could massage the midges and mosquitoes out of the sleeping quarters.

The CHAIRMAN: Order!

The Hon. R.I. Lucas: All things are possible, and potential contracts are limited only by one's imagination. I am also advised that the team has conducted a series of regional briefings. Whilst the project work is to be 70 per cent South Australia-Northern Territory, it is important that not just Adelaide-based companies become aware of it. The Partners in Rail team has been briefing local businesses and industries in the Spencer Gulf area and a range of other regional areas. Whilst obviously it cannot commit work to anyone, the team is saying, 'You need to be thinking, either by yourselves or with someone else, about whether you might be able to get a piece of the action in terms of this massive construction project.'

Mr LEWIS: I refer to budget paper 4 (my favourite budget paper), volume 1, 'Output class 2'. Many announcements have been made and many of those have just been summarised by the Treasurer, but what is the status at the present time? We are running up against the anticipated completion date pretty fast now, but there has been no definitive announcement about when work can commence. As I understand it, it would be desirable for the project to have at least come before the Public Works Committee, not because the Public Works Committee will necessarily find anything wrong but the role of the Public Works Committee, as you would know, Mr Chairman, is to ensure that the public can be satisfied that their interests are protected and that there is nothing wrong. Where are we up to? What is the progress report? How is it progressing?

The Hon. R.I. Lucas: I am advised that real progress has been made; I am pleased to hear that. At the moment we have

teams of lawyers from both sides belting each other into submission. Contract close is now anticipated to be July 2000. I am an extraordinarily cautious person. That is the latest advice. I am not guaranteeing that, based on my own home mortgage, or whatever else, but that is the latest advice. There is, I am told, a much smaller number of remaining issues to be resolved between the teams of lawyers, but they remain to be resolved. The latest estimate is July 2000. We are hopeful that that will be the case.

If contract close is July 2000, construction is expected about two months later—September. Between contractual close and construction commencing—and obviously there is a financial close and the Public Works Committee must also be considered—a variety of other critical issues will need to be completed within a relatively flexible time line. If those time lines are kept, mid-2003 would be when the railway will commence operation.

Ms HURLEY: I would like to clarify one point, given that the minister is refusing to answer questions on the basis of a defamation action which renders them sub judice. As I said previously, I have no knowledge of any defamation action, contrary to what the minister did say. Could some proof be provided to the committee that this defamation action is in fact now before the court?

The Hon. R.I. Lucas: I am happy to provide it. I do not have copies of the court proceedings. I presume they are before the court. We can provide proof and evidence of that but I am not in a position to provide that tonight. It would be a bit foolish of me to sit before you tonight and say, based on the advice I have been given, that proceedings have commenced if that is not the case.

The CHAIRMAN: I indicate that, as I said earlier, I have no knowledge of the matter being before the court. I am relying on the Treasurer to advise the committee that that is the case. If that is the case, then the deputy leader would be aware of the ruling, as far as sub judice is concerned, in this chamber. As chair, I must rely on the advice of the Treasurer.

Ms HURLEY: Perhaps then the Treasurer could advise when the court case commenced—what date?

The Hon. R.I. Lucas: Proceedings have been issued. I do not have that information before me at the moment. There has not been a hearing yet, but I am advised that proceedings have commenced.

Ms HURLEY: Perhaps Mr Cambridge, if he is involved, could advise when the court case opened?

The Hon. R.I. Lucas: Proceedings have commenced.

Ms HURLEY: When?

The Hon. R.I. Lucas: They have already commenced. My advice, which I have conveyed to the Chairman of the committee, is that the proceedings have commenced. All the documents have been issued and whatever else is necessary in legal terms has been done. I am acting on the advice I have seen from Crown Law in terms of a sub judice matter. The Solicitor-General's advice in relation to a number of previous cases has been that, once proceedings have commenced, sub judice rulings of the parliament come into operation.

Ms HURLEY: I find it difficult to believe that the minister is so certain about the commencement of proceedings yet is not able to give me an approximate date.

The Hon. R.I. Lucas: I am happy to try to get that information and place it on the record. In relation to these issues one should err on the side of caution. That is the advice I have been given. I can only pass on that advice. The chief executive has passed me a note. His lawyer indicates that proceedings have been issued on behalf of Mr John Cam-

bridge in the District Court of Adelaide. On this basis the matter is before the court. It is appropriate for matters in this context to be sub judice. That is advice from a legal adviser to Mr Cambridge who is taking the action. It is up to us to interpret 'sub judice'. The chair has indicated the normal conventions in this chamber, which are the same as in the other chamber. I am a guest in this chamber and I will abide by its rules.

Ms HURLEY: Mr Chairman, I ask you to reconsider your ruling. This committee has privilege. These issues have been aired in this House before and indeed outside this House. I have certainly issued a number of press releases on this matter outside the House. I have asked a number of questions in this House about these issues. Mr Chairman, I ask you to rule, perhaps, question by question. I do not believe that my questions would cause a difficulty.

The CHAIRMAN: The chair can only repeat what it has already said. The Deputy Leader would be aware of the ruling in this chamber that relates to sub judice. If the chair is advised by a minister of the Crown that a matter is before the court, then I must abide by that ruling.

Ms HURLEY: I will ask my questions one at a time and we will see how we go. Can the minister explain how a conflict of interest does not occur, given the fact that the South Australia government pays Mr Tay's private company, Asia Co., for the rent of our state's Singapore and Kuala Lumpur trade offices which are based inside Asia Co.'s premises and pays all the Singapore office expenses, including travel, marketing transport, and so on, as well as paying Mr Tay a part-time salary? It appears to me that we are possibly subsidising Mr Tay Joo Soon's private business interests, and we want you to explain to us what checks and balances are in place that proves that this does not occur.

Membership:

Mr De Laine substituted for Mr Wright.

The Hon. R.I. Lucas: I am advised that funds are forwarded to the overseas representative officers on a quarterly basis in advance, based on agreed budgets and cash flows at the beginning of each financial year. Each representative office then provides a financial report to the Department of Industry and Trade on a monthly basis. I am further advised that the department has also engaged accounting firm Deloitte Touche Tohmatsu to provide an audit service to the department for all the overseas officers on an annual basis. The audit brief is agreed each year with the department's financial controller. The audit program is undertaken in each representative office by Deloitte staff based in its network of overseas offices, and a detailed report is provided. These reports are incorporated into the annual financial statements of the department which are audited by the Auditor-General's Department. We would need to take advice on this matter and check the records, but the office and the arrangement were established 15 or 20 years ago under a Labor government.

Ms Hurley interjecting:

The Hon. R.I. Lucas: You say 'So?' It just means that, if it was established 15 or 20 years ago, we would like to find out who established it and what guidelines were established, and then we can look at them now. The sneer and the snide innuendo in the Deputy Leader's question is in some way implying that Mr Cambridge or the government is doing something improper or inappropriate in relation to this issue. All I am saying is that I am advised that a number of these issues involving the arrangements—and I am not saying all—

were established 15 or 20 years ago, possibly under a Labor government.

The independent audit undertaken by Deloitte which I have already mentioned was established under this government. In preparing a further response to this question, I will have checked what auditing arrangements the Labor government had in place prior to the auditing arrangements that the Liberal government has established through Deloitte and others for the overseas trade offices. My advice is that this does not cut across the defamation actions. I will take further advice over and above what I have been able to provide this evening and provide a more detailed response into this issue and its history.

Ms HURLEY: Mr Cambridge has nominated Herbie's Travel as being the Singapore trade representatives' travel agent. Indeed, more than \$3 000 was paid to Herbie's Travel last year on Mr Cambridge's credit card. Can you explain who Herbie's Travel really is, given that there is no business listed anywhere in Singapore under this name and, indeed, no business has ever been registered in this name in Singapore? Will we be paying this mysterious business any more money in the future, and for what service?

The Hon. R.I. Lucas: I cannot throw much light on the matter tonight. I am advised this is the subject of an FOI application to which the department will have to respond next month or some time in the near future. I do not have any information before me on the company about which the Deputy Leader of the Opposition is asking me. I will take the question on notice and see what information I can provide.

The Hon. G.A. INGERSON: How is the South Australian Centre for Manufacturing assisting companies in the e-business area?

The Hon. R.I. Lucas: I am advised that SACFM undertook a survey of manufacturers in terms of areas of need and that e-commerce, in particular business to business e-commerce, was an area that manufacturers identified to SACFM as an important area of need. As members will know, e-commerce is obviously growing rapidly. It is a technology that our manufacturers will need to embrace effectively, given that clearly it will be a precondition of doing business with major buyers and suppliers in the future. If you want to be part of the massive restructure that is happening globally in automotive business, e-commerce will be an important part of being able to compete successfully in the future. From a recent visit to a South Australian based manufacturing firm, I know that it has invested a significant sum of money in e-commerce in terms of how it links with its retail outlets and its suppliers. It sees it as inevitable that only those manufacturing firms in its industry—which is furniture manufacture—that have that capability will be able to survive and thrive in the future.

SACFM advises me that the penetration of this technology in South Australian manufacturing is still limited, predominantly to the larger companies and often in industries where major centralised buying exists. SACFM is in the process of securing in-house resources to advise manufacturers on the appropriate introduction and utilisation of e-commerce. I am told that a position has been advertised already and applicant interviews are under way now; in fact, they are at the short list stage. SACFM's operational plan for 2000-01 includes e-business awareness raising forums; company surveys of e-business awareness; and facilitation of the integration of e-business applications within individual enterprises; and linking with a range of external resources to introduce e-commerce systems to manufacturers. Summarising, it is

critical that SACFM, working with manufacturers, helps to enable e-commerce for our businesses.

The Hon. G.A. INGERSON: What progress has been made through SACFM in relation to the South Australian tooling industry?

The Hon. R.I. Lucas: I am told that we have operated a tooling program conducted out of SACFM since 1994. It has operated in conjunction with the Tooling Council of the EEASA (Engineering Employers Association). So far the tooling program has concentrated on lifting the performance of tool makers to international levels on issues such as improved quality assurance, project management, equipment selection (particularly the introduction of CNC equipment) and the international benchmark in financial management, estimating and tendering. The government has supported the formation of Australian Tooling Services Pty. Ltd., a company with shareholders representing approximately 75 per cent of local industry capacity to provide marketing and project management of overseas work. This company, ATS, will access capability across the whole of the Australian tooling industry in order to provide full service supply. So far ATS has signed an MOU with COMAU, the world's largest tooling integrator to access local global markets. As a result it has tendered for some \$30 million in work since the end of last year and believes that approximately \$6 million of work is in the final stages of negotiation.

The Hon. G.A. INGERSON: Could you please outline what your department has done in assisting the growth back of this sector and in particular what major projects have been secured over the last 12 months?

The Hon. R.I. Lucas: As the member would know—and I will not go through all the details of this in the interest of getting as many questions up by the opposition as we can tonight—there has been a huge growth, some of which he would have had personal involvement with in a previous life. We acknowledge his achievements in that area.

Annual growth in this area of the back of the call centre is still in the order of about 20 per cent a year. It is a relatively new industry. Seventy five per cent of our call centres in Australia have all been established in the last five years. So far we have in South Australia about 50 call centres employing over 6000 staff and this figure in South Australia alone is growing at 20 per cent per annum. The government has a long term target of about 20 000 jobs in the back of this industry by the year 2010. We have already seen, so I am told, about 3 500 new positions in the past two years.

One of the huge advantages we have in South Australia from talking to the call centre people is the low churn rate we have in relation to employment. One of the big costs to call centres is the churn rate, that is the turn-over of staff because it is a huge cost in terms of having to retrain new staff each and every time someone leaves. I am told that our turnover rate (and there is one here of 1 per cent and another of 2 per cent) is right down the batting order whereas in Melbourne, Sydney and Singapore it can be 30 and 40 per cent—a huge factor in terms of the stability of the industry.

There is the Westpac facility, and members would have heard of the tremendous success of Ansett and Optus. I will not go through all the details. However, one I do want to refer to briefly is the BHP Shared Services Centre. This is not a call centre; this an operation where about half or a bit over half are middle and senior level managers many of whom are earning much more than we members of parliament earn, let me assure you, with six figure sums and above. This is a skilled industry sector. This will be an opportunity for many

young South Australian professionals. One of our big problems is in relation to jobs for lawyers and accountants, in particular, and bankers and others necessarily have to go to big corporate sectors interstate. This will not stop that: I am not foolish enough to claim that. But it is the first sign of a significant new investment by a major company such as BHP in South Australia.

We are talking about 400 to 500 full-time positions when it is fully operational at the end of next year. We hope that the centre will be operational by November of this year. The functions that will be included are finance; accounting; payroll; purchasing; financial reporting; supplying; negotiations; transaction of human services; and human resources activities to BHP operations in Australia and the Asia Pacific region. It is one of only two established by BHP worldwide. It is a tremendous coup to this state and, can I say, without any fear of being contradicted by anyone, it is a tremendous coup for the Premier, in terms of his personal involvement. It is a tremendous coup to John Cambridge and a group within Invest SA headed by Peter Rowland and Kelly McGloin and a group of other hardworking officers who very rarely ever get the credit and who have to endure all the smear, the slime and the innuendo about the operation of this department—

There being a disturbance in the Speaker's gallery:

The CHAIRMAN: Order!

The Hon. R.I. Lucas: I would have thought that people in the gallery ought to be disciplined. We should not have childish giggles from the gallery whilst, as a minister, I am trying to publicly acknowledge—

Ms HURLEY: It is a custom in this chamber that we do not refer to people in the gallery.

The Hon. R.I. Lucas: They should not be giggling.

The CHAIRMAN: Order!

The Hon. R.I. Lucas: I was just trying to place on the record my thanks, as the new minister, for the hard work of many officers. Obviously, the Premier and others get their own credit but there are a lot of hardworking officers within this department—within Invest SA—who do not get any credit and who are never acknowledged. As I said, all they ever hear is smear, slime and innuendo about their department. As their new minister, I want to congratulate them on a very significant achievement here and in a number of other areas where they will work very hard. They will work assiduously for any government—this government and future governments—and it is important that their achievements, together with those of the Premier, be acknowledged.

Ms HURLEY: Will the minister authorise the spending on Mr Cambridge's credit card in future, and will he be giving the thumbs up to previous spending patterns? For instance, Mr Cambridge spent more than \$9 000 for three nights at the China World Hotel in Beijing in February 1998, when the deluxe room rate was \$305 per night. In his travel request for approval by the Premier, Mr Cambridge said that he needed to go to Beijing on this occasion to finalise arrangements for the Premier's visit to Beijing in early April. Maybe Mr Cambridge himself can enlighten us as to what he could spend more than \$8 000 on—

The CHAIRMAN: Order! The question should be addressed to the Treasurer; the deputy leader knows that.

Ms HURLEY: Yes, I am sorry, sir. Maybe the minister can enlighten us as to what Mr Cambridge could spend more than \$8 000 on over and above accommodation in Beijing over three nights at this hotel. I might add that Mr Cambridge had been given approval by the Premier for this 20-day trip,

which included Hong Kong, South Korea and Singapore, on the basis that meals and accommodation for the entire trip away would amount to an estimated \$13 400. But a quick crosscheck shows that Mr Cambridge spent more than \$16 000 on his government's credit card and more than \$2 800 in travellers cheques. Can we expect more of this in future under the minister, and can the minister explain the benefits of this extra spending to the South Australian taxpayer?

The Hon. R.I. Lucas: There are guidelines that apply to public servants—and ministers, for that matter—in terms of the use of credit cards. It has always been my expectation, and it will continue to be my expectation, that guidelines are followed. I understand (and I will take further advice on it) that, in one of the examples to which the member refers, the chief executive's costs that he picked up on his credit card were also costs of other members of the travelling party. Having previously travelled in delegations, I am aware of where a minister or an officer who is there with the minister picks up on his or her credit card the costs at a hotel that might apply to two or three people.

Ms Hurley interjecting:

The Hon. R.I. Lucas: Now, of course, the honourable member is starting to divide it amongst a number of people and she is weakening her case. As I understand it, in at least one of those cases that the honourable member is talking about, that is a partial explanation. In relation to the general approach on credit cards, Mr Cambridge and the other executives within my department will be aware of the guidelines that appertain to the use of credit cards by government officers. In addition, they are aware of my general expectation that there should be appropriate usage of credit cards. That will continue to be my expectation.

I am not in a position, nor would it be sensible, to be personally authorising each and every use of a credit card when Mr Cambridge or any other officer is travelling overseas. There is an expectation on senior officers in relation to the use of credit cards, and those guidelines that exist for all public sector officers will apply. I am told that Treasurer's Instructions Nos 2, 4, 8 and 12, and perhaps others also, apply to anyone's use of credit cards. So, there are clear understandings and expectations in relation to that.

The other general point I make is that perhaps in future, as a result of this, if someone's credit card has to pick up three or four bills, it might not be Mr Cambridge's. Everyone could pick up their own bills, and that will mean less prospect of these sorts of questions being raised in the parliament.

In relation to the last part of the question, the general work that Mr Cambridge, the trade officers and the other senior officers of the department do in terms of seeking to attract investment and facilitate export for South Australian companies would certainly be in excess of whatever number the honourable member is quoting in relation to the total cost of credit card travel. I am not an inveterate traveller myself, although since I have had on the electricity hat I have had to travel twice in the past 12 months, but the costs of travel and the necessary costs of entertainment in terms of doing business are significant.

It is not uncommon to have to take a group of people to lunch or dinner, nor is it uncommon, in the interests of trying to do deals on behalf of the state, to entertain in a reasonable fashion. I know that the guidelines that appertain to senior officers envisage those sorts of circumstances. Ultimately, they are questions for judgment, and my expectations are clear to Mr Cambridge and to others.

Mr Cambridge: And be audited.

The Hon. R.I. Lucas: And, as Mr Cambridge indicates, these are also audited and are part of the departmental accounts.

Ms HURLEY: It has been noted by the opposition that Mr Cambridge has often gone out of his way on his overseas trips to travel Singapore Airlines. Indeed, between November 1997 and March 1999 he undertook 32 flights with Singapore Airlines, which included 14 separate visits to Singapore. What guarantees can the minister give us that Mr Cambridge did not undertake any private work for New Toyo International while he was in Singapore at taxpayers' expense?

The Hon. R.I. Lucas: Whilst there have not been many so far this evening, my understanding is that this is an issue that is subject to the court action as it traverses the ground which is before the District Court at the moment.

Ms HURLEY: I have a point of order. Since I have already said that I know nothing of this court action, perhaps the minister could advise us exactly what is the subject of the court action so I can be guided in asking my questions.

The Hon. R.I. Lucas: I am not going to repeat the alleged defamations in the privilege of the parliament. I do not know whether the deputy leader thinks I came down in the last shower, but I will not be used as a dupe by her to repeat alleged defamations for which the chief executive is taking action. Good try, but try again.

Ms HURLEY: Your ruling, sir, is that that question is sub judice?

The CHAIRMAN: I have already given my ruling on the matter of sub judice and, unless I can be advised otherwise, if I am advised that the matter is before the court, the ruling stands.

Ms HURLEY: On 1 March last year the Executive Director of International SA, Mr John Frogley, received from Mr John Cambridge an application from the Zhong Huan group for \$200 000 in financial assistance to redevelop the old tax office in King William Street into student accommodation and, within 48 hours, Mr Frogley recommended to the then CEO that it be approved. \$200 000 just happens to be the amount of financial assistance that can be granted to companies by the CEO without ministerial approval. However, despite the recommendations, this money was not granted. Will the minister say when the decision was made not to grant assistance to Zhong Huan, by whom and why?

The Hon. R.I. Lucas: I am advised that Mr Cambridge declared an interest in this matter and appropriately handed it over to Ian Dixon and Mr Frogley, and the decision not to proceed was taken by the Department of Industry and Trade.

Ms HURLEY: By way of supplementary, I asked when the decision was made, by whom and why.

The Hon. R.I. Lucas: The decision was taken by the Department of Industry and Trade but when, I do not know. I presume it was soon after it was recommended.

Ms HURLEY: And why?

The Hon. R.I. Lucas: I am not going to put in the public arena why the decision was taken not to proceed with it. These sorts of things happen every day of the week. Recommendations are made, they are sometimes agreed and sometimes disagreed. It is not productive for us to put in the public arena why we have not agreed. In this case we have put on the public record much more than we would normally do and more than I have been advised to do but, because of the nature of the allegations that are being made by the deputy leader, I have chosen to indicate more than we would normally. I am not going to put on the record why this

occurred. The simple answer is that an interest was declared, a recommendation was made, it was not agreed, so no money was made. I am told that the date was 7 April.

Ms HURLEY: Did Mr Tay have any involvement whatsoever in assisting New Toyo to gain a government assistance package from the South Australian government for its paper manufacturing plant in Adelaide in 1998?

The Hon. R.I. Lucas: We will need to check the record on that. My current advice is that it does not cut across the defamation action so I am happy on that basis to have the matter checked and will endeavour to provide an answer to the committee.

Ms HURLEY: Can the minister supply the committee with a break-down of the costs of each of our overseas trade offices, along with their individual performance standards and list of achievements?

The Hon. R.I. Lucas: The budget for next year is as follows: Bandung, \$85 000; Beijing, \$510 000; Hong Kong, \$770 000; Jakarta, \$325 000; Jinan, \$120 000; Kuala Lumpur, \$162 000; Dubai, \$400 000; Shanghai, \$520 000; Singapore, \$675 000; Tokyo, \$1.135 million; and exchange rate and other contingencies, \$136 000. That is a total of \$4.838 million. I am advised that it does not include the UK office because that comes under the Department of Premier and Cabinet.

Ms HURLEY: Do you have a list of achievements?

The Hon. R.I. Lucas: The list of achievements is, broadly, the list of achievements of the department in terms of the work that is undertaken. Each office has a business plan with monthly reporting. At the end of each year their performance, together with the performance of the department, is aggregated into the department's overall plan. This comes back to the point I made earlier in that it would be foolish for any one individual to claim personal credit for \$420 million or \$100 million worth of investment. The way in which the department operates is that it clearly has to be a team job. It is the work that the trade offices do, the work that International SA does, that Invest SA does, that the Chief Executive and other senior executives, the Premier do—and occasionally even the minister might be of assistance. Basically, it is a team effort. There may be trade delegations as well. There is monthly reporting and that is aggregated annually as part of the overall response.

Mr LEWIS: I ask the Treasurer as Minister for Industry and Trade to outline the role of the Council for International Trade and Commerce of South Australia; the nature of the organisations that belong to it; how the board is structured; what board members are paid, if anything; its role; and what it was thought to produce for the benefit of South Australia for the past 12 months?

The Hon. R.I. Lucas: CITCSA comprises 46 chambers of commerce, as the member for Hammond would know, and is under the wise chairmanship of Nick Begakis. I am told that all positions are voluntary. The Department for Industry and Trade does provide funding for staffing and administrative support. The total budget, I am told, is approximately \$500 000 a year. Board members are not paid. The Department for Industry and Trade is represented on the board by John Frogley, and it will continue to be represented. We have either just signed or are about to sign a new three-year agreement, which includes a two-year review to evaluate the progress. I think it is wise in these areas to continue to evaluate the achievements and the progress that is made.

I have had a number of discussions with Mr Begakis. As the honourable member would know, Mr Begakis is a real

enthusiast in terms of the work of CITCSA. He is actively pursuing various objectives in relation to the future development of the council. There has been no agreement yet other than continuing broadly its existing role. We will continue to work with Mr Begakis and the council to that end. I should acknowledge not only Mr Begakis's role but also the very valuable role played by many people within the various constituent organisations.

The Premier has publicly acknowledged the work of a number of the constituent members. I think it is fair to say that, as with any group of 46, some people are much more active than others, but the Premier has certainly acknowledged the activity and the work of a number of those member groups in terms of encouraging export from South Australia, in particular, to their countries of origin, and also, on some occasions, encouraging investment from their countries of origin into South Australia. If all works well they can be a very positive influence in terms of our trading with a number of other countries.

Mr LEWIS: With reference to economic migration, how is the government promoting South Australia to prospective migrants as a settlement destination, and is the minister inviting the chambers and business councils that are members of the Council for International Trade and Commerce SA Inc. to help promote business migration to South Australia in the countries or the regions in which they are established? Is that something with which the Treasurer believes CITCSA might be able to help?

The Hon. R.I. Lucas: I am not sure what we are doing at the moment in relation to involvement with CITCSA in this area. My briefing advice indicates that the department is doing a lot in relation to marketing to prospective migrants South Australia as a settlement destination. I will certainly take advice from the department as to what involvement and interaction we do have with CITCSA in this area to see whether or not there is some capacity, if it does not already occur, for some greater involvement with CITCSA. If the honourable member has some suggestions, I would be pleased to receive them in terms of how he sees the constituent members of CITCSA working with the department in some of these areas. At this stage I will take the question on notice and get some further advice. I am prepared to explore the notion the honourable member has indicated to see whether or not we can head in this direction.

Mr LEWIS: Before I ask my third question, I say to the minister that I am pleased about the way in which he has recognised the efforts of the volunteers who work in those business councils and who offer their services to serve on the board. As I said at the conclusion of my first question, I have an interest. This year, I am President of the Korean Chamber of Commerce which is a member organisation and in my own right—not in any way related to my role as a member of Parliament—was elected to the board of that council, and the organisations that belong to it are keen to use their knowledge of the cultures of the countries or regions for which they have established their organisation to promote the benefits of buying from South Australia, trading with South Australia and using South Australian services such as South Australia's educational facilities, encouraging people to come here as visitors and tourists—all of which are export activities—as well as those sales of tangible goods that can be better facilitated by people who have that cross-cultural knowledge of how to bring together prospective sellers and prospective buyers in those prospective markets.

I commend the minister and his predecessors for their continued support of that organisation in that it enables people who have the energy and determination to do something for South Australia who have come from elsewhere or who have an empathy with places elsewhere to make that kind of constructive contribution in that way, through this inexpensive means. I am not sure but I think last year the total amount of trade that was facilitated in the great assistance that is provided by the Department of Industry and Trade's officers and Mr Cambridge as its head was over \$30 million. To my mind, that is a good way to go. If you can get people who are volunteers to pitch in and back up what the government is aiming to do for the benefit of the state, I reckon that is not too bad. My question then seeks further information about that kind of program. How does the government work with the business enterprise centres? That is to be found in industry development, budget paper 4, volume 1.

The Hon. R.I. Lucas: I have met with the chair and executive officer of BECSA and have so far visited one of the centres, and I hope to visit another couple in the next month or so. I am told that we have six business enterprise centres currently—Magill, Port Adelaide, Hindmarsh, Tea Tree Gully, Salisbury and Morphett Vale, with a sub-office at the Elizabeth shopping centre of the Salisbury BEC. I am keen to visit a number of the BECs to get a better understanding of exactly what they do and how they work with our department, in particular the Business Centre and our departmental officers, and I guess also to try to understand a little as to how they coordinate or link with the work of some councils. I visited Morphett Vale, where a significant economic development function is housed within the Onkaparinga council. I visited there to try to get a feel as to how the development function for the broader Onkaparinga council linked and made sure we were not overlapping and duplicating with the Morphett Vale BEC.

I am certainly encouraged by what I have heard so far but, as with most of these issues, I would like to see for myself in a number of the areas before forming a final judgment. My understanding and the advice I am given is that we work pretty well with the BECs. We will have to confront some issues over the next 12 months regarding how we see the delivery of our services through the business centre type arrangements, and our relationships either with the individual BECs or with overarching body, BECSA.

Our traditional role, so I am told, is that we tend to try and contract directly with the service provider, although there are examples—and they are pretty rare—where that does not always happen. I have an open mind in terms of where we head and how we might develop our relationship. Clearly they are an important part of a delivery of an important range of services to small businesses in the metropolitan area, and it would be sensible for Department of Industry and Trade through its various arms and organs to be working cooperatively with not only business enterprise centres but also councils that might have economic development functions as well.

Mr LEWIS: Would the minister be willing to investigate facilitating through his office and department, perhaps in the Convention Centre or Wayville Showgrounds, Centennial Hall, or some other suitable venue, a showcase of what CITCSA members have to offer along with the business enterprise centres and the industry groups from SAF—from the automobile industry components manufacturers and the like? They can all put in a display, meet each other and see how each can help the other to find entry to markets any one

of them may not have imagined existed or, in the case of CITCSA, to identify products that would be in demand in the cultures and economies for which they were established and thereby synergise the whole of those three separate groups as though they were three axes—if you want to see it in graphical or mathematical terms—on a graph, to see how it all fills in together and encourage them through that synergy to take heart, keep going and do for South Australia what they are aiming to do with even greater efficiency and in the process provide students of commerce at both secondary and post-secondary level with the opportunity to take in exactly what efforts are being made to expand job numbers in the very real way that is enduring: that is by facilitating exports from our state's economy.

The Hon. R.I. Lucas: A proposition has been put to the government for some sort of trade or export centre.

Mr Lewis interjecting:

The Hon. R.I. Lucas: Yes, I think you have moved on from that. Certainly from the government's viewpoint I am told there have been a number of investigations of that concept and at this stage there does not appear to be enough support for a long-term new centre type of concept in that area. As I understand from what the member said, he may have moved on from that to a concept where, maybe in a fair, or allied with some other occasion, these groups could come together for a day or two days, or whatever it might be, to promote their wares—

Mr LEWIS: And look at what everyone else is doing so that they can help each other.

The Hon. R.I. Lucas: That has not been put to me, but I am happy to hear any suggestion if the member wants to expand on it. It clearly would be better if there were some major convention where we have a significant number of people here. It may well be through the Exhibition Centre and, allied with that, a major show at the Wayville Showgrounds, as the member said, where you have lots of people coming, anyway, with whom we might be able to work cooperatively in the way that the member is talking about.

It is obviously a germ of an idea at this stage. The member may well have worked it up to something further than that. I have an open mind and am happy to have the matter further considered by the department to see what opportunities there might be for that and be prepared to have further discussions with the member. I thank him for his suggestion.

Ms HURLEY: I refer to budget paper 4, page 4.27, 'Coordination and advice'. It is expected that \$2.1 million will be spent on coordination and advice this year, and the targets for this year are set out on page 4.5 of budget paper 4. Can the minister advise in detail how the expenditure of this \$2.1 million is to be divided between the different target areas nominated on page 4.5?

The Hon. R.I. Lucas: We do not have a breakdown of that sort of detail. As I indicated earlier in response to a similar question from the shadow treasurer, I think that there has been, wittingly or unwittingly, a misunderstanding of the coordination and advice output class in the Portfolio Statements. The question in relation to Treasury and Finance was, 'Why on earth are you spending \$18 million,' or something, 'on coordination and advice?' The simple answer is that virtually everything that the Department of Treasury and Finance does is, in essence, advice to me as Treasurer or to the cabinet in relation to budget issues or to the government generally in relation to competition policy, and so on. The whole function of central agencies and part of the function of

other portfolio agencies is all about providing advice through the policy section in relation to industry and trade.

Basically, the whole reason for the existence of Treasury and Finance and Premier and Cabinet is, in essence, coordination and advice. They are a central agency. I have seen a figure being used by someone that, shock, horror, this government has \$100 million worth of coordination and advice going on. It follows on from, shock, horror, the government is spending so much on consultants. The two are linked by some commentators. It is an inaccurate linkage. Consultancies and their costs are fair game in their own right, and I have made my own comments in relation to those in recent days. However, in relation to coordination advice, this is in essence what, in many cases, public sector agencies are there for. In this case, we would have a section on policy that provides coordination advice and we would also have other areas.

Ms HURLEY: Can the Treasurer provide a fully itemised list of all expenditure to be undertaken with respect to this \$2.1 million with a value exceeding \$10 000?

The Hon. R.I. Lucas: I know that the shadow treasurer has asked all shadow ministers to ask this question, so I am not being critical of the deputy leader for asking the question. I explained this to the shadow treasurer, and I think he had a clearer understanding of the impracticality of what he had asked some of his colleagues to do. We are happy to have a look at what additional information we can get, but the question in itself does not make sense and is incapable of a sensible answer in the context of the way in which it has been framed, because of the reasons that I have indicated.

We might be able to provide some further breakdown of the information. I am told that one of our units, or divisions, is called policy and planning: it is most of that. But where it gets a little difficult is that we have a unit in infrastructure called Infrastructure SA, and a component of that is designated to the output class of coordination and advice, because that is what it does, and a component of Infrastructure SA's costings will obviously be attributed to some other output class in the industry development, because their work is attributed to industry development. I am plucking a figure out of the air, and the deputy leader should not take this as being what it is, but 50 per cent of its time and costs might be towards industry development; 50 per cent might be to policy and advice; or it might be 10:90, or something like that. We will endeavour to see what sensible advice we can give to the deputy leader in relation to that matter. However, with respect to the context and structure of the original question, we are not able to respond in that way.

Ms HURLEY: I turn now to industry restructure, page 4.23, budget paper 4. The government announced a \$5 million program to help in restructuring of existing industries, following speculation about the future of Mitsubishi, Mobil, the closure of Perry Engineering and continuing alarm over the future of the Australian Submarine Corporation, together with a large demonstration of manufacturing workers last month.

The Engineering Employers Association has called for concerted action to save South Australia's heavy engineering sector. However, page 4.23 suggests that this is funded by cutting funds to the Industry Development Fund; that the \$5 million program to restructure is caused by a cut to the Industry Development Fund. Will the minister confirm whether or not this is so and that his announcement of the industry restructure project does not so much represent new

and additional money for industry support but a rebadging of old money?

The Hon. R.I. Lucas: The answer is no. What we have to work against when in government and putting together budgets is what is in the forward estimates. As the former Minister for Industry and Trade will know, depending on the particular programs, the forward estimates can go up and down. Governments may well have agreed to special one-off funding for a particular year and then return to the ongoing agreed forward estimate level for a particular fund.

Our forward estimates are always structured on the basis of cabinet approvals for the particular areas. It does not mean that because a lump has been approved for one year it is automatically approved for every year from then on. When you take on the responsibilities of industry and trade in addition to Treasury, you have the joys of looking at it from both sides of the fence, which I am sure has been greeted with joy by industry and trade.

Speaking with the Treasurer's hat on, that is the way the forward estimates are structured, not only in this but in other areas. If you look at the employment programs within employment and training, for example, some of them are funded for two years and finish at the end of the second year. The forward estimates then go back to the previous level of funding for employment and training.

When we fund a three-year program in aquaculture or biotechnology, or something like that, at the end of that period the particular department goes back to its underlying level of funding. In some cases the cabinet will approve, in essence, permanent ongoing adjustments to the forward estimates for a particular agency, so both issues are possible. In relation to industry and trade—and I am very familiar with this because of my previous hat as Treasurer and now as minister—it cannot be assumed that the levels of funding in 1998-99 or 1999-2000 were in the forward estimates for future years, because indeed they were not.

The cabinet had made additional allocations in particular years to meet particular requirements. What generally happens with industry and trade is that the industry development funds are there in terms of a budget. If they are expended, then the department must go to cabinet and argue for additional funding for a particular project or program. If the cabinet agrees, that is made by way of an additional allocation to the department through the year to meet that particular program, incentive package or whatever it might be.

That is the way it has always been in terms of industry funding, not only under this government but under others, and it will always be the way in terms of industry and trade funding, because governments will always inevitably want to consider whether or not they are prepared to provide additional funding to provide additional jobs if a particularly attractive package comes along in terms of attracting a company to South Australia or seeing a particular company expand the number of jobs in South Australia.

Therefore, in relation to the industry restructure, this is not something that was cut out of the forward estimates and then put into them; this was a net addition to the forward estimates. The Industry Restructure Fund, which initially was funded for three years at \$5 million a year, is something that the government has specifically looked at in terms of some of the massive changes going on in some of our traditional and important industry areas. The automotive industry is a perfect case in point.

Given the location of the honourable member's electorate and the future development of General Motors and, for those who come from the southern suburbs, Mitsubishi, and potentially in other areas, it is not just limited necessarily to automotive. In other areas, such as defence, we are confronted with major issues of rationalisation and restructure going on.

We are not in a position in South Australia to stop such changes occurring. At the margin, together with the Australian government, we might be able to influence them a bit but, inevitably, if we try to keep everything exactly as it is today in the year 2000, we will not succeed. We need to look at where these changes are occurring and we need to see how we can assist those companies and industries not only to survive but to thrive in whatever the new shape and structure the industry sector might take. As I said, the automotive and defence industries are perfect examples of industry sectors that are undergoing massive structural change, and they are important to South Australia and we need the capacity to be able to help not just those companies but the thousands of South Australian working class families who rely for their security and employment on those companies.

Although my colleague from the upper house, Mr Crothers, has been attacked roundly, he was driven exactly by this need when he was arguing during debate on the electricity privatisation that this government ought to be looking at what it could do for working class South Australian families. He was prepared to stand up and fight for them. Sadly, the Labor Party, the Democrats and others were not prepared to stand up for South Australian working class families and to allow some of the benefits of the electricity privatisation to be used to assist families working in those companies to ensure some sort of ongoing job security. Where it is not possible, we must consider retraining for those workers to move into new jobs. Given that decision, we needed to look elsewhere and we have allocated additional funding over and above the forward estimates to meet what we see as a very important need.

The Hon. G.A. INGERSON: Often we in this chamber hear the argument put that very few local firms have any role to play in the department's investment attraction program. Will the minister advise the committee how we support local firms and to what extent?

The Hon. R.I. Lucas: Based on his past experience, the member broadly knows the answer to this question. It is important to say that it is difficult to classify firms into local, interstate and overseas increasingly these days because a company such as Sola, for example, which started in Adelaide, is now controlled overseas and has significant operations overseas. It is becoming increasingly difficult to define what is local, interstate and overseas.

Bearing that in mind, during the period July 1997 to April 2000, investment commitments negotiated by the Department of Industry and Trade involved 172 companies. Of the 172 companies assisted, 92 were defined as local and 39 had local operations. A total of 131 companies or 76 per cent of all companies were either local companies under the definition or had significant local operations in South Australia. The capital expenditure generated from companies based in South Australia was \$530 million or 72 per cent of the total investment committed of \$730 million during the three-year period. I am told that that is the estimate just for the InvestSA division. It does not include the activity of SACFM, the Business Centre and regional development boards. By their very nature, it would be fair to say that a much higher percentage of the work of SACFM, the Business Centre and

the development boards would be with local companies. The section which does the most work interstate and internationally would obviously be Invest SA. I think if you added in some sort of estimate of all the assistance in those areas, the numbers would probably be even higher again in terms of that percentage.

The Hon. G.A. INGERSON: We are aware of the benefits of opening an office in Shanghai. Could the minister advise the committee of the advantages of opening in Beijing and dealing more directly with the People's Republic of China?

The Hon. R.I. Lucas: The increasingly important role of the People's Republic of China, we are told, will be reinforced by its pending ascension to WTO. Together with a bilateral agreement recently executed between the commonwealth and the People's Republic of China, this will present many opportunities to expand our relationship between South Australia and the People's Republic of China. There will therefore be significant opportunities for South Australian companies and businesses. Obviously, members will be aware that Beijing is the capital of the People's Republic of China. It is the political, economic and cultural centre of one of the largest regions of industry, finance and trade. For those obvious reasons, the department has advised the Premier and the government that this particular office should be located in Beijing.

We were told earlier this week that it is one of the three costliest places in the world in which to live. That was news to me, but it is a fair indication of the activity that goes on within Beijing and the importance of Beijing, as well. There will be a lot more work and a lot more activity, we hope, between industry and trade and South Australian businesses through our Beijing office. I am told it also manages the Jinan office.

The Hon. G.A. INGERSON: A significant amount of funds have been allocated to the Regional Development Infrastructure Fund. Could you advise the committee how that is working; what sort of result it is currently getting; and any future projections you might see for the fund?

The Hon. R.I. Lucas: The Regional Development Infrastructure Fund was one of the key recommendations of the Regional Development Task Force, in which the member for Hammond and others have been involved with their consultations and other processes. I was pleased as Treasurer to support the previous minister's contention that we should establish the Regional Development Infrastructure Fund. Originally, the government put in \$4.5 million for each of three or four years. The government in this year's budget has actually increased that number by another \$1 million. So, there is now an allocation of \$5.5 million for each of the next three years. We are therefore talking about a significant sum of money now—\$16.5 million over the next three years—together with what I think will be a small unexpended portion from this year.

It has taken us about six months, I think, to get some of the processes up and going smoothly. I must confess that I have been part of the impediment: I am sure my officers here will smile knowingly. There were some process changes that I wanted to see, some of which we are still working on, some of which we have achieved and others of which we are just about to achieve in terms of how this process will work. There is certainly an absolute commitment from both Minister Kerin and me to work together cooperatively and, now that we have established the processes, to try to shorten the time lines after there has been consideration, if they do go

to a panel—as most of them will—for consideration by both the minister and me.

Importantly, in this area, as with the whole industry development area, there is a role for the state development committee of cabinet, which is chaired by the Premier. Again, wearing my hat as Treasurer, it is something that I strongly support. We in the government, through regional development, tourism, industry and trade, information economy and the Premier and state development, needed a vehicle for greater coordination of what we did in terms of industry attraction. The state development cabinet committee provides us with the framework for that to occur.

We need to ensure that those processes do not unnecessarily inhibit decision making within the department. It has that capacity if we do not do it sensibly. But there is a commitment from the Premier and from other ministers to try to tidy up that process to ensure the obvious benefits of being able to coordinate investment attraction funding right across some of the key agencies so that we can decide which projects have the best bang for the buck. We can then make some judgments about which project has the most value added and from where the greatest number of jobs might come.

Mr Lewis interjecting:

The Hon. R.I. Lucas: Yes, a number of people: David Litchfield, Rob De Marco and a number of people working in the regional infrastructure development area, as well as people from other areas. The structure is almost there. It is now a question of making it work. We are seeing the early signs of that. At this stage we have received approximately 14 applications. A number of those applications have already been approved and a number await approval. One decision, when it is resolved in relation to clawing back ETSA rebates (which is a particular bias of mine), will mean that we can free up another six approvals.

Early estimates indicate that, with the small number of applications that have been approved, approximately 1 200 full and part-time jobs have already been created. It will move into full swing at the start of this financial year.

Ms HURLEY: I accept that the funding for the industry restructuring project happens to be the same amount of money as the cut in funds to the Industry Development Fund. I certainly hope that the Treasurer's rather downbeat assessment of the future of heavy manufacturing is more conservative than realistic. Given that the position of the Port Stanvac Refinery has now been made more precarious as a result of the Treasurer's colleague Senator Nick Minchin's decision to make refinery mergers easier, what discussions has the Treasurer had with the federal industry minister, Nick Minchin, in respect of securing the 400 jobs at the refinery?

The Hon. R.I. Lucas: I have had a personal discussion with the minister. This is one issue the Premier may have raised in a number of discussions with the minister. He may well have traversed this particular ground in addition to a number of the other issues he has been taking up with Senator Minchin in recent times, not only in this area but in other areas. I will need to take advice from the Premier to confirm that. Our major focus has been not with Senator Minchin in this area but more particularly to ensure the ongoing viability of Mobil in the current environment.

Again, I think the reality is that you can endeavour to put up your hand King Canute like and stop some of these national and international changes and restructuring, but the reality is that in some areas—and I will not comment specifically here—that is almost impossible. We must try to

ensure that we can remain competitive. A number of areas have been identified, such as rates charged by the local council of over \$1 million—the second highest of all comparative refineries in Australia. It is that sort of comparative cost disadvantage which makes it difficult for refineries such as Mobil.

There are other areas in which we believe the state government might be able to assist. I met a week ago with the newly elected mayor and chief executive. I met last week with the chief executive of Mobil. I am hoping that, through

those discussions, we might be able to encourage some grounds for agreement between the council and Mobil—if not, then this parliament ultimately will have to make some decisions in relation to possible changes to the indenture.

The CHAIRMAN: I declare the examination of the vote completed.

ADJOURNMENT

At 10 p.m. the committee adjourned until Tuesday 20 June at 11 a.m.