

HOUSE OF ASSEMBLY**Thursday 21 June 2001****ESTIMATES COMMITTEE A****Acting Chairman:**

Mr I.H. Venning

Members:

Mr. S.G. Condous
 Mr. K.O. Foley
 Mr. T. Koutsantonis
 Mr. E.J. Meier
 Ms. M.G. Thompson
 Mr. M.R. Williams

The Committee met at 11 a.m.

Department of Treasury and Finance, \$30 734 000
 Administered Items for Department of Treasury and Finance, \$899 814 000

Witness:

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

Departmental Advisers:

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

The ACTING CHAIRMAN: I think most of us understand that the estimates committee is a relatively informal procedure but we need to run through a few of the rules. As has always been the case, the committee will determine an approximate time for consideration of proposed payments to facilitate change of departmental officers at the appropriate times. I ask the Treasurer and, I presume, the member for Hart whether they have agreed on a timetable for today's proceedings and, if they have, if they could intimate that a little later. 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 at the appropriate time. If the Treasurer undertakes to supply information at a later date, it must be in a form suitable for insertion in *Hansard* and two copies submitted to the Clerk of the House of Assembly no later than Friday, 6 July.

I propose to allow the Treasurer and the member for Hart to make an opening statement, if they so desire, of about 10 minutes but no longer than 15 minutes. There will be a flexible approach to giving the call for asking questions based on about three questions per member on alternating sides. Members may also be allowed to ask a brief supplementary

question to conclude a line of questioning, but I suggest that any supplementary question will be the exception rather than the rule. Subject to the convenience of the committee, a member who is outside the committee and who desires to ask a question will be permitted to do so once the line of questioning on an item has been exhausted by the committee. Therefore, an indication to the chair in advance from the member outside the committee wishing to ask a question is necessary.

Questions must be based on lines of expenditure as revealed in the estimates statement, and reference may be made to other documents, including the Portfolio Statements. Members must identify the page number of the program in the relevant financial papers from which their question is derived. I emphasise that for the convenience of everyone on the committee. Questions not asked at the end of the day may be placed on the next day's House of Assembly *Notice Paper*.

I remind the Treasurer that there is no formal facility for the tabling of documents before the committee. However, documents can be supplied to the chair for distribution to the committee. The incorporation of material in *Hansard* is permitted on the same basis as applies in the House of Assembly, that is, that it is purely statistical and limited to one page in length. All questions are to be directed to the Treasurer, not to the Treasurer's advisers. The Treasurer may refer questions to the adviser for response if he so wishes. I also advise that for the purpose of the committee some freedom will be allowed for television coverage—and I understand that that has been utilised already—by allowing a short period of filming from the northern gallery.

I declare open for examination the proposed payments for the Department of Treasury and Finance and Administered Items for Department of Treasury and Finance. I call on the minister to make a statement if he wishes.

The Hon. R.I. LUCAS: In the interests of maximising the opportunity for the opposition to get in as many incisive questions as they have done in recent years, I do not intend to delay the proceedings of the committee by making an opening statement, other than to say that we are obviously hopeful that, in relation to one particular issue, opposition members will use this opportunity when they have up to 15 minutes to address the committee to identify in these documents the hundreds of millions of dollars the government spends on consultancies. We look forward to Mr Foley—or Mr Rann, if he is here later—identifying where these hundreds of millions of dollars a year are being spent on consultants.

The ACTING CHAIRMAN: I call on the lead speaker for the opposition, who in this instance is the member for Hart, to make a statement if he wishes.

Mr FOLEY: I appreciate the Treasurer's not wanting to make an opening statement—unlike his colleague the Minister for Tourism earlier this week and countless other ministers who are so insecure in their job that they have to soak up at least 15 minutes of committee time by making an opening statement. Welcome to the House of Assembly, Mr Treasurer. We get so few opportunities to go head to head. I know that you are a very good performer in the Legislative Council and I know that from time to time you seem to be besotted by me. I often read *Hansard* of the upper house and I am sure that you mention me at least twice every question time. You are obsessed with me. You must be very worried today. I think you have about half of the Department of Treasury and Finance with you today. I did not realise that

I was causing you such stress and concern that you would have to have 50 per cent of the department here. I am not quite sure that that is a productive use of the important time of our Treasury officers. Nevertheless, if the Treasurer feels insecure, I can understand the need to have so many people.

I am not quite sure what the Treasurer meant by his opening remark. I thought questions normally came from the opposition. I was only thinking just the other day that this is my 15th year of attending estimates committees, seven years as an adviser and eight years as a member of parliament. The other night I indicated that, should I be in opposition this time next year, I intend to take leave of absence for the two weeks of the estimates committee process! It is a questionable use of all our time, but never mind.

I want to open by moving straight into the department of state taxation or Revenue SA. As the Treasurer would be aware, Revenue SA administers a first home buyers scheme. It is a significant scheme, the amount payable under which was increased by the federal government from \$7 000 to \$14 000. It will run out at the end of December, coinciding with the federal election. It is clearly a pork-barrelling exercise by the Prime Minister. However, as I said during my second reading speech regarding the legislation, clearly the government chose a mechanism by which to bring forward some housing construction to try to deal with the massive decrease in activity in the building sector.

I know this is a commonwealth government funded scheme. I also know, as the Treasurer would know, it is administered by the state Department of Treasury and Finance through Revenue SA. It has come to my attention that a few weeks ago one of our federal Labor senators, Mr Geoff Buckland, was approached by a person who had heard about and had discussions concerning the \$14 000 first home buyer's scheme grant. It was brought to the senator's attention that a person who had received a cheque of \$14 000 from Revenue SA we understand promptly spent that money on pokies. We were advised that that person lost \$14 000 on poker machines. Senator Buckland was somewhat taken aback at this allegation, as was I. He thought, 'Surely a scheme of such largesse from the commonwealth government and administered by Revenue SA should not allow somebody to take \$14 000 of taxpayers' money meant for the first home owner's scheme and blow it on the pokies.' I do not think we are in the business of allowing taxpayers' money to be wasted and blown on the pokies.

Senator Buckland promised to look into the allegation. He did some checking and was astounded, as I am, that the events as described can occur. It appears that there are no requirements as to how the money issued under the scheme is to be used—provided, of course, that the recipient is eligible to receive it. In other words, Revenue SA simply writes a cheque for \$7 000 or \$14 000 to somebody who is eligible, and it is simply up to them as to how they spend it: whether it be on pokies, an overseas trip, the race track or if they simply want to buy a new car, that is what the money could potentially be spent on; that is what I am advised. I find this incredible. I thought I would bring it to the Treasurer's attention, because I am sure my facts must be wrong and that he can correct me.

I have noted some advertisements. The Henley group, a major Australian house builder, quite openly flaunts this loophole. In an advertisement, it says:

First home buyers. Half your government grant equals full deposit. You keep the balance of \$7 000.

So Henley Select, a major house builder in Australia, is advertising it. Not to be outdone, another major house builder, Pioneer Constructions, also advertises:

With a Divine Pioneer 100 per cent home loan, you pay no deposit, no legals and the \$14 000 government grant is not used as the deposit. It is clearly yours to use as you will.

Does the administration of our scheme in South Australia allow what I have just outlined to occur?

The Hon. R.I. LUCAS: We will need to take advice on that. If the honourable member can provide the details via either Senator Buckland or his office of the individual who spent the money on a poker machine debt or investment, we obviously will be prepared to take up the issue. The Commissioner for Taxation has advised me, as the honourable member has rightly pointed out, that this is a federal government scheme, and there is an intergovernmental agreement. We in the states work broadly to the instructions of the commonwealth government in relation to it. I am sure we would all agree that, if anybody was spending money that should have been spent on a first home on anything other than a first home, that money should not be spent in that way. I would hope that the federal government would be equally as appalled at those circumstances as Senator Buckland has been and as those of us in the states obviously might be.

I assume Senator Buckland may well have already taken up the issue with the federal government by way of question in the federal parliament. If he has not, now that the honourable member has raised the issue, I will be very happy to take up the issue with the federal government if there is this problem. Certainly, if Senator Buckland directly or the honourable member can provide the details of this individual, we would be happy, first, to validate the claim—that that is, indeed, what has occurred—and, secondly, if there is a problem with the federal government's arrangements in relation to the scheme, take up the issue urgently with it. None of us would want to see the money spent in that way.

Mr FOLEY: As a supplementary question, the Henley property group, one of the largest home builders in Australia, is encouraging people simply to put down \$7 000 as a deposit and then saying, 'You keep the \$7 000.' Given that Revenue SA administers this scheme, what administrative procedures and follow-up are in place to ensure that the \$14 000 provided through Revenue SA in South Australia actually goes to the construction of a new home? What are the administrative arrangements?

The Hon. R.I. LUCAS: As I said, if we can get the details from Senator Buckland and/or his office directly as to how this money is being spent—and even the honourable member will acknowledge that the Henley group is not advocating the money be spent on poker machines—in this case, we can have that considered and investigated. As I said, we in the states are no different from anybody else who is implementing a scheme which, as the honourable member has indicated, has been put together at relatively short notice by the federal government. Many of us became aware of it either through the media or other outlets rather than any official communication between the federal government's ministers. We are but implementers of a federal government policy in relation to this. If there are problems, I would hope that the Prime Minister and the federal ministers would be as appalled as Senator Buckland might have been that this money was allegedly spent by an individual on poker machines. We are happy to take up the issue.

Mr FOLEY: You have not answered my question, Treasurer. The point is this: whether it is spent on poker

machines, buying a new car or stocks in the share market is irrelevant. I want to know how the scheme is being administered. Do we simply send a person a cheque without any follow-up or any arrangements to ensure that this money is spent on a house, or is the Treasurer a party, with his federal colleagues, simply handing out \$14 000 to people in our state not to spend on building a new home but to blow on the pokies and to spend any other way they see fit?

The Hon. R.I. LUCAS: I cannot add much more than I have already said, but the member can keep going if he likes. The federal government has put in place strict guidelines.

Mr FOLEY: Walk me through them!

The Hon. R.I. LUCAS: I am not going to walk you through anything.

Mr Foley interjecting:

The ACTING CHAIRMAN: Order! Standing orders apply to the committee.

The Hon. R.I. LUCAS: All the states do is implement the guidelines that the federal government outlines. If there is a problem in relation to those guidelines, we are happy to take up the issues with the appropriate federal ministers and see the changes. However, in broad terms, I am very surprised the honourable member should be asking the question. He and I debated the legislation in different chambers. On recollection, the legislation made it clear that the house had to have a foundation that had been poured.

In relation to an existing home, the home needs to have been purchased. I thought that the honourable member, on behalf of his party, was in charge of the legislation when he voted for it in this House some months ago.

Mr Foley interjecting:

The Hon. R.I. LUCAS: I am happy to take up the issues—

Mr Foley interjecting:

The Hon. R.I. LUCAS: Can I respond, Mr Acting Chairman? I am happy to take up the issues—

Mr Foley interjecting:

The ACTING CHAIRMAN: Order! The Treasurer is answering the question.

The Hon. R.I. LUCAS: I am to take up the issues with the—

Mr Foley interjecting:

The ACTING CHAIRMAN: The member for Hart is out of order.

The Hon. R.I. LUCAS: I am happy to take up the issues with the federal government and the appropriate ministers, if there is a particular problem with the federal government scheme. I am very happy to do that; and if we want to spend the whole time of estimates today talking about a federal government scheme, I am very happy to do that. I am happy to take up the issues, although I cannot offer much more than that at this stage. If Senator Buckland, or his office, is prepared to provide the details of this particular individual who spent the money they got from the federal government for a first home on a poker machine rather than buying a home, then let us get the evidence of that, check the validity of the claim; that is, that the person did not buy a first home (which appears to be the claim that is being made), and spent the money on a poker machine.

If we can get the evidence—and I ask the member whether he can provide that information to us or Senator Buckland so that we can have that particular claim investigated—and, if that is the case, then we will take up the issue urgently with the federal government. I cannot offer much more than that.

Mr FOLEY: Robert, you are not in the upper house and—

The ACTING CHAIRMAN: Order! The member will use the minister's correct title—'Treasurer' or 'minister'.

Mr FOLEY: As I said, Robert, you are not in the upper house. Treasurer, I expect you to try a little harder—and I know you like to answer questions flippantly—but, as I have said, I have an article from Henley Select Property Groups, which effectively says that you can keep the \$7 000 from the first home owners' grant and do with it what you like. The point of my questioning is very relevant. I accept that in this House of parliament I assumed—clearly incorrectly—when we debated this legislation that Revenue SA would ensure that the \$14 000 we provide to a first home owner would be applied to the construction of a new home, and that a system would be in place within Revenue SA to ensure that certain degrees of accountability occur to ensure that that is exactly what the money is spent on. Whether it is the pokie case or whether it is something else, can the Treasurer now tell the committee whether there is any requirement from Revenue SA to ensure that that money is either spent on the home or provided to a bank as a deposit?

The Hon. R.I. LUCAS: I cannot offer any more than I have already offered in answer to the first four questions.

Mr MEIER: I refer to Budget Paper 3, page 2.11, the comment relating to reducing the debt and achieving a AA+ credit rating for this state. What progress has been made in achieving an improved credit rating?

The Hon. R.I. LUCAS: In broad and simple terms, in today's dollars the state has moved from a position of around about a net debt of \$10 billion in 1993 down to a net debt of just over \$3 billion predicted for the end of this financial year. The state has improved its credit rating from AA to AA+. It remains an objective of the government, as I am sure it probably is for all governments, to eventually get to a AAA rating—

Mr Foley interjecting:

The Hon. R.I. LUCAS: I think it would probably be easier for a government that is economically responsible to do it, but it may well still be a goal for the opposition—there are a lot of goals for oppositions. The goal remains a AAA credit rating. Certainly in my humble view, if you are being rated as a business—and we are in the business of running government, we are being rated as a government—the essential determinant of your rating is how you have managed your own state finances in terms of your liabilities and your ongoing expenditure both for the current year and for future years.

However, it is a difficult task for the states. One of the surprises I had soon after becoming Treasurer, in terms of the discussions with the rating agencies, is that the rating agencies made it pretty clear to us in our discussions that—and if I can summarise their views—even if we had a perfect record in relation to that which, in the case of any other business, would be worthy of a AAA credit rating, they make judgments on issues such as their overall judgment about the ongoing strength of the state economy, for example. Of course, I am sure that at various stages throughout the day we will get a chance to explore a number of issues, some of which are beyond the control of any government, such as, in particular, the ageing demographic profile of South Australia: fewer younger people and many more older people as part of our demographics place special pressures on our state economy.

In terms of moving to a AAA credit rating, I think that is one of the dilemmas. As I said, we could have a perfect record, 10 out of 10 in how we are performing in terms of the business of managing our finances, our debts, our liabilities such as unfunded super, WorkCover, and all those sorts of things, yet, in some cases, it still might not be enough for the rating agencies to deliver a AAA for us. The only other point I would make is that, given that the hard yards have been taken by this government in relation to getting our debt under control, the next big opportunity for the state government will come potentially in and around about the year 2006-07. We can certainly make some improvement between now and then, but, at that stage, subject to—and I am sure we will discuss this later on—roll back and other issues, this state will have the opportunity of significantly increased revenues from the current intergovernmental agreement in relation to national tax reform and GST, and it will be for the Treasurer of the day in 2006-07 and the government of the day to determine how they spend that money. One option—and of course there are many others—would be to accrue surpluses on an annual basis, as the federal government has done in recent years, to further reduce debt.

Mr Foley interjecting:

The Hon. R.I. LUCAS: I think the history shows, much as we get this chirping from the corner, that should there ever be a Labor administration we will end up with the same sort of mess we inherited in 1993. Some of the chief culprits are still key leaders—

Mr Foley interjecting:

The ACTING CHAIRMAN: Order!

The Hon. R.I. LUCAS: We get a lot of chirping whenever that is mentioned, don't we? They come in very quickly, you just have to mention '1993' and they come in very quickly. Some of the key culprits are still there, we know who they are and the people of South Australia know who they are as well.

Mr MEIER: Is the government intent on sticking to its 40-year target for fully funding superannuation liabilities of the state? Why has the government adopted a new discount rate and what are the implications?

The Hon. R.I. LUCAS: The simple answer to the first question is yes, the government is intent on sticking to its 40-year funding of unfunded superannuation. Again if we want to go back to the mess that this government inherited from some of those culprits who still remain, this government inherited unfunded super of \$4.3 billion. In this budget we were able to report a reduction to about \$3.3 billion in unfunded superannuation liabilities. The government is on track in terms of its 40-year strategy to repay unfunded—

Mr Koutsantonis interjecting:

The Hon. R.I. LUCAS: Some other states, including those with Labor governments, have 50 year plans: they are long-term visions. All I can say is that the magnitude of the debts and liabilities left to us by Labor administrations has meant that one could never hope to repay these things in less than a generation or so. That is the size of the task that confronts us.

Members interjecting:

The Hon. R.I. LUCAS: Mr Koutsantonis might still be here in 40 years' time, but I suspect that most of the rest of us will not. The honourable member may be the only one to survive to see the Liberal government plan to repay the unfunded superannuation over this time come to fruition. As I said, most of the states now have plans of varying lengths,

40 to 50-year plans, and we are on track with our 40-year plan in terms of repayment.

There is a schedule of repayments over the years from whenever we started, 1994 or 1995, so 2034 is the estimated date. That may or may not go up or down, depending on decisions that future governments take and on future actuarial judgments about the performance of the funds that have been invested in relation to superannuation. I do not intend to waste time, but I could provide the committee, if members were interested, with the detail of the payments we have made in the past few years, to demonstrate how we are on track. As I said, I am forever keen to get more and more of these questions from the opposition, so I do not want to delay inordinately.

Mr MEIER: I thank the Treasurer for his answers to both those questions and compliment him and the government on having sought to reduce the debt to the level that he has. My third question relates to the use of corporate credit cards by departmental and other Treasury portfolio entities. How many officers in the department and other Treasury portfolio entities have been issued with corporate credit cards and for what purpose?

The Hon. R.I. LUCAS: This seems to be a matter of some interest to estimates committees over the years. I am advised that we have 45 credit cards issued and this time last year we had 46, so it is broadly the same. Included amongst our credit cards are those issued to the Leader of the Opposition's office. Somehow they get included in our total as well, and I understand that there are two of those. The numbers have remained the same and the broad reasons remain the same, again, as I have answered in previous years.

Most of them would be used for the purchase of goods over the counter by various officers within sections of the department. Some officers have access to them for travel, accommodation and obtaining services, but the bulk of them are as purchase cards.

Mr FOLEY: Robert, I have to say—

The ACTING CHAIRMAN: Order!

Mr FOLEY: —you are a nice bloke—

The ACTING CHAIRMAN: Order! The honourable member should refer to the minister as minister or Treasurer.

Mr FOLEY: —but I had forgotten how much you bore me. Fair dinkum. Anyway, it will be a long day, so we'll have to get used to it. Robert, the—

The ACTING CHAIRMAN: Order! Member for Hart, I have spoken to you three times about referring to the minister as the minister or the Treasurer.

Mr FOLEY: I am sorry, Mr Chairman. I thought that we would try to make it a bit informal, as it reduces the tension a bit.

The ACTING CHAIRMAN: It is informal, but I do believe that the minister is entitled to be called by his title. The rest is very informal.

Mr FOLEY: The Treasurer seems sensitive and not prepared to answer questions about what would appear to be extremely slack guidelines for the administration of the first home owners grant, but he has in excess of 30 advisers here, including the state Commissioner for Taxation, and I will put the question again. I can understand the Treasurer's political embarrassment and sensitivity, but what are the guidelines for the provision of \$14 000 of taxpayers' money to first home owners?

Are they required to spend that money on a home and does Revenue SA have any form of follow-up, accountability or any code of practice to ensure that the money is actually spent

on the construction of a first home? Do such administrative guidelines exist or do you simply give a cheque across and do not care about how the money is spent?

The Hon. R.I. LUCAS: I cannot do any more than repeat that there are guidelines. It is a commonwealth program. If there are particular problems, I have invited the honourable member, if the claims are correct, to provide details so that we can investigate them. If there is a problem, we are happy to take up the issue with the appropriate federal ministers and agencies. But there are guidelines, and I am sure that the intention of the Prime Minister and the federal ministers when they brought down the scheme was to see a significant boost in housing.

Meetings that I have had in the past two days with members of industry sectors whose workload would be impacted on by growth in the housing sector have indicated to me that there is significant flow through of work coming into their industry sectors as a result of the federal government's \$7 000 and then \$14 000 home owner grant schemes. So, it would appear that, overwhelmingly, the intentions of the federal government are coming to fruition with a significant boost to the housing industry. If there is an example of someone who has inappropriately spent the money on poker machines and has not purchased a house or is not building a house, those issues will be taken up.

Mr FOLEY: As I said, the Treasurer has 30 advisers with him. He has had up until now the Commissioner for Taxation in South Australia sitting next to him, but he does not seem comfortable with allowing him to answer a question. I can understand why the Treasurer is sensitive, because I have in front of me an update from Revenue SA, 'The first home owners grant scheme'. Looking at it on the web site, I can understand why the Treasurer is very sensitive about this, and we have caught him out.

It actually says that an applicant can use the money for any legal purpose: there are no requirements as to how the money is to be used, provided that you are eligible to receive it. These are the guidelines: no wonder the Treasurer would not tell us what is in the guidelines. The Treasurer's guidelines allow people in South Australia to take \$14 000 of taxpayers' money, blow it on the pokies, take it down the pub, take it to the race track or buy a new car: they do not have to spend it on a first home. Treasurer, we have caught you out; we have your guidelines. How can you sit here today and condone a system that can be so openly rorted by those in our community who will take advantage of taxpayers' generosity? Surely you cannot sit back anymore and condone such a misuse of taxpayers' money.

The Hon. R.I. LUCAS: The government has not condoned anybody spending federal government money for first home owners on poker machines.

Mr Foley interjecting:

The Hon. R.I. LUCAS: It does not matter how many times the member for Hart claims that the government is condoning it: the government is not. I have said that it is inappropriate, and I am sure the Prime Minister and federal government would be equally appalled if the claim is true that a person who has been given money to build or purchase a house has not built or purchased a house—and that is the claim that is being made—but went and spent it on the pokies. There is a simple way of checking this, and that is for Senator Buckland or the member for Hart to provide the name of the person who has allegedly done this so that we can check whether or not that person has bought or built a house or is in the process of building a house. That would seem to

be a relatively simple matter to check. If it can be demonstrated that the person has the money, is not either purchasing or building a house and has spent the money on the poker machines, as is claimed by the member for Hart, I am sure that all governments would be appalled at that prospect. We would take up the issue—

Mr Foley interjecting:

The Hon. R.I. LUCAS: We are implementing the scheme on behalf of the federal government.

Mr Foley interjecting:

The Hon. R.I. LUCAS: I am not saying it is not: I am just saying that the federal government outlines the details of this program. It is their money; we are implementing it for them. If there is a problem, we will take up the issue urgently with the federal government. No-one is condoning it. We are equally appalled if it has occurred, but first let us demonstrate that it has occurred, and then we will follow through the issues with the federal government.

Mr Foley interjecting:

The Hon. R.I. LUCAS: I don't know; we need to know.

Mr FOLEY: I am sure the person built the home; that is not the issue here.

Members interjecting:

The ACTING CHAIRMAN: Order!

Mr FOLEY: Hang on; can I ask—

The Hon. R.I. LUCAS: That is the issue. At last we have flushed him out.

The ACTING CHAIRMAN: Order, Treasurer! The member for Hart has the floor to ask his third question.

The Hon. R.I. LUCAS: We've flushed him out.

Mr FOLEY: Can I ask the question? Robert, you have flushed nothing out at all.

The Hon. R.I. LUCAS: Yes, we have.

The ACTING CHAIRMAN: Order! The member for Hart.

Mr FOLEY: Can you contain yourself, Robert?

The ACTING CHAIRMAN: Order!

Mr FOLEY: That is not the point of the exercise. The point of the exercise is that this money can be spent in any way, shape or form. Why are we not requiring that, when a \$14 000 payment is made to a person, it go toward the construction of a house or a deposit for the financing and is not spent in any other way, shape or form? Surely you are not saying here that you support a scheme where, regardless of whether or not the house is built, the person can spend \$14 000 in any way, shape or form they like. Surely it is there to go towards a deposit. It is there as a deposit to build a house, not to be spent in any other way, shape or form, surely.

The Hon. R.I. LUCAS: I did not think it would take us long to flush out the member for Hart, but he came in very quickly. That is why I kept goading him.

An honourable member interjecting:

The Hon. R.I. LUCAS: No; the story that was being pushed by the member for Hart this morning was that, instead of spending the money on building or purchasing a house, this person had gone off and spent the money on poker machines. The member for Hart has confessed. He has 'fessed up; at last we have him. He is not used to people coming back at him like this. He has 'fessed up that this person has either purchased or built a house, so they are going ahead with it. I do not know—

Mr FOLEY: I do not know that.

The Hon. R.I. LUCAS: Now he says he doesn't know. Two minutes ago he said they did, and now he says he

doesn't know. What is the member for Hart saying to this House? He does not know. Two minutes ago he said they were building the house or purchasing it. Now he says he does not know. He comes into this House with a story. He is all excited; he thinks he has a story, even if it is a federal government scheme and not a state government scheme, and this is the best he can deliver as the shadow treasurer. We have the whole of the Treasury budget; we have budgets, superannuation and all the issues that could be taken up, and we have spent the first 45 minutes of the estimates committee talking about a federal government scheme and a particular issue.

Now, the member for Hart has changed his story three times in 45 minutes—twice in the last two minutes. He might be able to get away with this normally, but let me assure him that he will not get away with it in the estimates committee. He has to indicate whether his story of two minutes ago is right and the person did build or purchase a house, or whether his claim of one minute ago—that he does not know—is the case. What is the member saying to the estimates committee? What does he want me as a minister to take up with the federal minister and the federal government in relation to the details of this scheme? I am very happy to take it up. I would be equally appalled if this person did not build or purchase a home with the money that the federal government was kindly providing to them as part of this new initiative.

Mr Koutsantonis interjecting:

The Hon. R.I. LUCAS: The member for Peake does not have to help the member for Hart; he is in enough trouble as it is. Let the member for Peake rest. He does not need to help out his colleague the member for Hart. He has got himself into hot water; let him get himself out of it. The member for Peake can sort out his own problems; let the member for Hart get out of his own problems when he gets himself into a mess.

The ACTING CHAIRMAN: Order! I think we can move onto the next question. The member for MacKillop.

Mr FOLEY: I have not asked three questions. My third question is this. I am quite surprised at how excited the Treasurer gets. As I said before, you have Henley Properties saying that you can you keep your \$7 000. Whether or not the house is built, the point is that you do not know what the money is being spent on. That is clearly my question. You said, 'provided that the person buys a house with the money that has been provided.' That is my point. The Treasurer's answer then was, 'provided they build a house with the money provided.' My argument is that, as the Henley and Pioneer advertisements and your own guidelines demonstrate, there is no requirement that the \$14 000 must be spent on the house or on the finance. This money can be spent on pokies or anything else. I simply say that a scheme with no follow-up, rigorous checking or control mechanisms to ensure this money is spent in that way is assisting those in our community who will take advantage of the generosity of taxpayers.

The Hon. R.I. LUCAS: I will not help out the member for Hart. He has got himself into some hot water and is now trying to get himself out of it. He has changed his story so many times that I do not know what he is saying to the committee. All I can say is that we will add up all the member for Hart's stories and try to respond to each of the options that he has put to the committee. I guess the truth might be somewhere between the three different versions that he has given.

Mr WILLIAMS: Hopefully, I will be able to get the committee to start discussing the state's budget. I spent all this morning travelling up from my electorate to discuss the state's budget, and I have been listening to a lot of nonsense that has nothing to do with this committee. I refer to Budget Paper 5, volume 1, page 3.22. In a table of Consolidated Account items under the heading 'Commonwealth grants and payments', I notice that the competition grant this year is expected to be \$55.3 million following on from \$35 million or 36 million last year in round figures. Where are we with competition payments? Will we continue to receive that sort of money for very much longer, or have we just about exhausted the competition payments?

The Hon. R.I. LUCAS: I am advised that the understanding or expectation is that the competition payments will continue. Next year (2001-02) they are estimated to be worth about \$55 million. It is technically possible, I am told, that a commonwealth government of any persuasion could decide not to continue with competition payments. One of the issues there would be whether or not the commonwealth government, taking advice from the National Competition Council (NCC) might determine for some reason that it wants to penalise a particular state government. I think we have seen in recent years threats to Queensland and New South Wales over rice and water; water policy in one state and the rice marketing policy in one of the other states being, in the view of the NCC, potentially anti-competitive. In some way there might potentially be a reduction in funds from the federal government to a state government for that.

We are working on the expectation—certainly our budgets are worked on the expectation—that competition payments will continue and that we will continue to meet whatever requirements for competition payments, but there is that technical provision that all state governments will need to monitor.

Mr WILLIAMS: I point out that this is not a question about commonwealth policies. Economic expert, Chris Murphy, last week warned that if a federal Labor government rolled back the GST there would be a requirement for some \$4 billion worth of extra taxation or a commensurate deficit in the federal budget; and also that it would be likely to cause at least a 1 per cent increase in interest rates across the nation. What is the potential impact on the state's finances of Labor's roll-back policy as far as it has been stated in the media thus far.

The Hon. R.I. LUCAS: This is a critical issue for the forward estimates and for state finances going into the future. As I said in either the budget speech or follow-up budget interviews, anyone in states such as South Australia should immediately interpret rollback as cuts in schools, hospitals and police services in the states. It is a matter of grave concern for anyone who wants to run a state government budget that the federal Labor Party's roll-back policy does not come to fruition.

Mr Foley interjecting:

The Hon. R.I. LUCAS: Chris Murphy, the economic expert to whom the honourable member has referred, has highlighted some macro issues in terms of impacts on interest rates and budget deficits—and I do not want to get into that particular debate. Clearly, even though we have a much reduced state debt, an increase in interest rates of 1 per cent is not something that we would want to see because that increases state costs as well. The issue of the potential impact on federal-state financial relations is critical. Whilst it is often parroted that we need bipartisan policies in this state—and

the Leader of the Opposition is fond of talking about bipartisan policies—we are urging the Leader of the Opposition and the shadow treasurer to join us in a bipartisan policy of opposing federal Labor's roll-back policy. We are hoping to get, rather than the chirping that we occasionally get from the opposition benches, bipartisan support for our opposition to this roll-back policy.

The Labor leaders were taken to the cleaners, sadly, in the discussions with the federal leader in Tasmania late last year. The federal leader of the Labor Party said that the states would be compensated for rollback. When I put the question to the Labor treasurers at recent treasurers' meetings, 'Does that mean that the, if I might call it, blue sky, the growth in funds that is both predicted by federal Treasury and, more importantly, not predicted by federal Treasury'—because some believe—

Mr Foley interjecting:

The Hon. R.I. LUCAS: Well, you only need to talk to people like those from Access Economics to realise that they have a more bullish view of the amount of money the GST will generate in the national economy. One is not in a position in the states to know who is right and who is wrong, but the experience of some other jurisdictions has been that when taxes such as the GST have been introduced, after a period of settling in they do generate more money than might have been initially estimated by the respective treasuries. Time will tell whether or not that is the case in relation to the GST.

When I put the question to the Labor treasurers, they went white or red, or whatever colour you choose. They had not thought through the issue. A number of them said that they had not had discussions but, rather, their leaders had—and, heaven help us, if the member for Ramsay was negotiating the deal on behalf of South Australia; I think he signed this particular deal with the federal leader of the party, but heaven help us if that is the case. The deal that has been signed between Labor leaders and the federal Labor leader—in the unfortunate circumstance that we ever see a federal Labor government and a state Labor government in South Australia—could potentially see a very significant pull-back of any additional GST revenues that might have been available to the states.

That is a matter of very significant concern, I think, to anyone who is genuinely concerned about our ability to find extra money for hospitals, schools and police services. Certainly, this government will not give up the fight, roll over meekly and have its tummy tickled as state Labor appears to have done with the federal Leader of the Opposition.

Mr WILLIAMS: It has been interesting this morning that the opposition in this state has been criticising the state government for its fiscal policies for some years, yet in six questions it has failed to ask one question of any relevance to the state budget or state fiscal policy. Could the Treasurer inform the committee, in spite of the bleating that comes out of the opposition, exactly what the level of business confidence in South Australia is and how that is reflected by private sector investment spending on buildings, machinery and equipment?

Mr Foley interjecting:

The ACTING CHAIRMAN: Order! The member for Hart is out of order.

The Hon. R.I. LUCAS: I have seen a Treasury briefing in the past week on the investment—

Mr Foley interjecting:

The Hon. R.I. LUCAS: We are very open about all the questions. The briefing included the most recent estimates

from the Australian Bureau of Statistics on state private capital expenditure, which would give us an indication of whether or not the private sector in South Australia had confidence to invest in not only their own companies' futures but also in the state's future and comparing that with the other states. It is interesting to note—and it has not yet received much publicity, which surprises me—that March quarter figures last year indicate that private trend estimates for private new capital expenditure were up 14 per cent. In Labor states, New South Wales was down 12 per cent; Queensland down 26 per cent; and Victoria down 9.9 per cent.

That is a 14 per cent increase in South Australia in terms of confidence to invest in private new capital expenditure in this state. In the Labor states during that 12-month period—it is 26 per cent, 12 per cent and 10 per cent. There is a lot more very useful information in those Bureau of Statistics figures, but I will not waste the time of the committee. As I have said before, that is not my intention. I can refer honourable members who might be interested to that private capital expenditure series to see how businesses invest in South Australia. In conclusion, I guess those aggregate figures just flesh out the recent examples of BAE Systems, Arnotts, Electrolux, SAAB, as well as a number of companies that the Premier announced earlier this week and demonstrate the—

Mr Koutsantonis interjecting:

The Hon. R.I. LUCAS: The government assisted there as well. As the member for Peake would know, the Hon. Mr Sneath has asked a series of questions about that issue. To be fair to the federal government, both the federal and state governments were active participants in trying to retain at least a core of activity from the old Perry Engineering in South Australia. I know the Hon. Mr Sneath has been very appreciative of the actions of the state and federal governments.

Mr Koutsantonis interjecting:

The Hon. R.I. LUCAS: The member for Peake is suggesting that a potential Labor government will bail out Harris Scarfe. That can be a policy for the member for Peake and a potential Labor government. It is interesting that that is the sort of priority that the member for Peake, as a senior representative of the alternative government, is now indicating—that this government ought to be doing something about Harris Scarfe. The obvious inference is that a potential Labor government will do something to bail out Harris Scarfe. Well, that is a policy decision that the member for Peake, as a senior member, has now indicated is on the agenda. We will wait and see how they will fund their proposed bail-out of Harris Scarfe in South Australia. Certainly, Harris Scarfe is not a particular target that the state government has in mind in terms of bailing out businesses in trouble. We are pleased to see that there are a significant number of potential buyers of the business. We will work with potential buyers in relation to maximising (a) its own ongoing presence, and (b) its ongoing employment in South Australia.

In conclusion, they are tangible signs, rather than people making rhetorical statements or clutching at slogans, of significant investment by companies in their businesses and in our state's economy, even with the problems they are currently encountering.

Mr WILLIAMS: You said at the beginning of the proceedings that there are no facilities for the tabling of documents. Can the Treasurer make that briefing to which he has referred available to members of the committee? I think it would be particularly beneficial to members of the opposition.

The Hon. R.I. LUCAS: I would be delighted. I will try to organise that in the lunch break.

Mr FOLEY: You know, Robert, I was going to—

The ACTING CHAIRMAN: Order! The member will address the minister by his title.

Mr FOLEY: I am sorry, sir. He is a good bloke, Robert—a bit boring but a nice bloke. I was going to try to get onto something of Treasury substance instead of having a bit of a political debate. I want to respond to your comment about roll back. Facts escape me: have not John Howard and Peter Costello rolled back GST somewhere in the order of \$4 billion to \$5 billion in the last 12 months, in the lead-up to the federal election? I suspect there has been no reduction in health and education, so I am not quite sure why you hone in on a Labor roll back when you are not prepared to comment on a Liberal roll back.

I want to refer to the two savings measures outlined in your budget. I suppose I could ask the question, Tom: if they are doing such a good job with the economy how come the polls have them on about 33 per cent?

The ACTING CHAIRMAN: Order! The member will refer his question to the minister.

Mr FOLEY: The two savings measures in the budget are a 5 per cent reduction over two years in the number of administrative executive positions and a 1 per cent efficiency measure across all non-salary costs. Treasurer, what contribution is expected from each of the individual initiatives in 2001-02 and 2002-03? If you want to get back to me with that information, that is fine with me.

The Hon. R.I. LUCAS: I think we have figures on those two years that we can pull out relatively quickly. I am not sure what it has to do with the estimates committee, but I might refer the honourable member to last week's edition of the *Australian* with the news poll results for earlier in the year. His recollections of poll results and what he has just indicated are again sadly astray.

Mr Foley interjecting:

The Hon. R.I. LUCAS: The opposition will quote the Morgan polls and the government will refer again to the news polls.

Members interjecting:

The Hon. R.I. LUCAS: Anyway, it has nothing to do with the estimates committee. We have now spent an hour and five minutes on federal issues and now poll results.

Members interjecting:

The Hon. R.I. LUCAS: Yes, exactly. I think this will be the first time ever in the two hours prior to the lunch break that we have spent most of the time on federal issues or on poll results.

Mr Koutsantonis interjecting:

The Hon. R.I. LUCAS: Here we go! The member for Peake now wants to call an election. So, the estimates committees have been reduced to—

Members interjecting:

The ACTING CHAIRMAN: Order! I ask the minister to return to the substance of the question.

The Hon. R.I. LUCAS: Mr Acting Chairman, I am being pummelled relentlessly by this fearless opposition and I am just reeling. I am not used to this relentless pressure. It has been so tough that I cannot even remember the honourable member's question. I can remember his poll result.

Members interjecting:

The Hon. R.I. LUCAS: Hallelujah, Mr Acting Chairman! We have actually got a state budget question after an hour and five minutes. You beauty! That is what obviously threw

me; I was thinking about federal budgets and poll results. When the member actually asked a question about the state budget after an hour and five minutes it threw me. I was just not prepared for it.

Members interjecting:

The Hon. R.I. LUCAS: No, we had to take time to dig this up—Budget Paper 3. The two measures that the government has announced are two-year targets over 2001-02 and 2002-03. The targets have not been broken down into year by year; we have said, 'Here is a two-year program for agencies.' So, over the two financial years 2001-02 and 2002-03 (which are the two years referred to by the member for Hart), agencies have this target of a 5 per cent reduction in the number of admin/exec positions and a 1 per cent efficiency measure across the non-salary costs, excluding commonwealth-funded programs.

Through the coming bilateral processes that start, I think, in December this year, as they normally do for next year's budget, obviously, we will be monitoring progress of agencies towards the two-year target. We will be encouraging them, because it is the Treasury view that it makes sense to achieve as much as can be achieved in the first year rather than leaving it all to the second year. Some agencies will probably achieve the target in the first year and others may well spread it out over the two-year program. In relation to the question whether there is a sub target within the two-year program, the answer is no. We will monitor that with the individual agencies when we start the bilateral process in December this year.

Mr FOLEY: I have a supplementary question. In relation to the \$20 million, is any contribution expected in the out years of 2003 and 2004?

The Hon. R.I. LUCAS: I think we have had a 1 per cent efficiency saving, or efficiency dividend, for the last three or four years; I cannot remember the exact number. We are now looking at this to help fund cost pressures and new initiatives within agencies. Each agency comes to the annual bilateral process with a significant number of cost pressures and new initiatives. I think a good number of those were highlighted either late last year or earlier this year after the initial round of bilaterals when the green book was produced and sent out to all departments and agencies.

Mr Foley interjecting:

The Hon. R.I. LUCAS: I am delighted. As I said, we are an open and accountable government. We like sharing information.

Mr Foley interjecting:

The Hon. R.I. LUCAS: Exactly.

Mr Foley interjecting:

The Hon. R.I. LUCAS: No, we are an open and accountable government. I would have thought that much of what the member for Hart says he should not have said, but that is a decision for him: he has to regret it later on. As I said, when the government starts a process, it gets a significant bid from agencies in terms of either new initiatives or cost pressures. We were amused, I guess, at the opposition's response to the green book, that in some way that is what will be delivered by a Labor government or a Labor Treasurer. Any Treasurer who rolls over the initial bids from agencies and says, 'Okay, this is what you need: this is what we are going to work towards delivering in your particular area' is not really the sort of person who ought to be in charge of the state's finances. If you are going to get yourself into the position of being Treasurer, you are going to have to be made of sterner mettle than that. The initial bids from agencies are aggregat-

ed, added up and sent back to the agencies but, ultimately, as we see in the budget, what comes out in the budget is significantly different from the initial bids in terms of cost pressures and new spending bids from the individual agencies.

Mr FOLEY: I must say, Robert (and do not be offended by this), that you will not be a role model of mine, I can assure you, even though you are a nice bloke. After four years and \$7 billion of asset sales and substantial cuts, you are still having difficulty balancing the budget. But, we know that you have a Premier who loves to spend, and I have some sympathy with you: it is clearly difficult having as Premier John Olsen, who is such a big spender, and having to rein him in all the time. I know the pressures.

I want to correct the record, because there may have been some people listening who might not know that I did not mean to indicate that the Treasurer of South Australia leaked to the opposition the government's green book. I can assure you that it did not come from the Treasurer or people in his office or people close to him. In my eight years in opposition, I have received a lot of cabinet documents. The cabinet leaks like a sieve, and I could give the names of the people who have sent me documents that would rock you to the foundations. But, Robert Lucas has never been one of them, and I want that on the record. Robert Lucas has never leaked documents—that I am aware of, anyway. We get some anonymous stuff, but I am pretty certain that Robert has not leaked documents to us.

The government has already announced increased costs arising from the renegotiation of the government's electricity contract. What figure was factored into the forward estimates for increased electricity costs, or will this amount be drawn from the \$20 million new initiative contingency fund that we have just mentioned?

The Hon. R.I. LUCAS: The simple answer is that it will not be drawn from the \$20 million savings strategy, if I can term it that, that we have just discussed in the previous question. The government, in terms of sensible and responsible planning, has a contingency line which it keeps, and one of the elements of that is a modest amount for increased costs for the electricity contract which was still being negotiated at the time the budget was brought down. So, there is no specific line for this particular issue. Each year we have a budget line which makes allowance for these sorts of issues, and we have made modest provision for it. As has eventuated, the government has announced the extent of the price increase for government departments and agencies, and the provisioning that the government has made covers the final result of the contract.

Mr FOLEY: Can the Treasurer advise the committee what is the allocation for the contingency line to which he has just referred?

The Hon. R.I. LUCAS: No, I am not prepared to do that. The government, each year, has a modest amount which it keeps for contingencies in a number of areas and—

Mr Foley interjecting:

The Hon. R.I. LUCAS: It is not a slush fund.

Mr FOLEY: Well, tell us what the value of your contingency line is in Treasury.

The Hon. R.I. LUCAS: Mr Acting Chairman—

Mr FOLEY: The secret slush fund in the lead-up to the election—what is the value in your budget line for it?

The Hon. R.I. LUCAS: The government always maintains, as any responsible government should, a contingency. Again, it is not a good sign if the member for Hart is

indicating that he is outlining, as a future potential treasurer, that he will not make any contingency provision—

Mr Foley interjecting:

The Hon. R.I. LUCAS: Oh, that's okay. The member for Hart—we've flushed him out again.

Mr Foley interjecting:

The ACTING CHAIRMAN: Order!

The Hon. R.I. LUCAS: If the member for Hart would only ask the question and not respond to the replies by way of interjection, he might find himself not getting into trouble. He has indicated that, should he ever be the Treasurer, he will, similarly, make provision in terms of contingencies. We must do that.

Mr FOLEY: You tell us how much it is this year and I will tell you how much it is next year.

The Hon. R.I. LUCAS: The member for Hart will not be in a position to do that. It is the arrogance of the member for Hart which is putting off a lot of people in the community at the moment.

An honourable member interjecting:

The Hon. R.I. LUCAS: Confidence, the member for Peake calls it. The member for Peake has a better word—it is confidence—but others call it arrogance. He is absolutely convinced (and he is telling everybody) that he will be the Treasurer, and is saying, 'When I am the Treasurer next year, you won't be getting away with this and you won't be getting away with that.'

Mr Foley interjecting:

The Hon. R.I. LUCAS: We take a more humble position. We leave it up to the people of South Australia. The member for Hart—

Mr Foley interjecting:

The Hon. R.I. LUCAS: Here we go again!

The ACTING CHAIRMAN: Order! The member for Peake is out of order.

The Hon. R.I. LUCAS: All the member for Peake can talk about is calling an election and the budget estimates for the Treasury portfolio, but that is an issue for the member for Hart. If he wants arrogantly to go around telling people that this is what he will do and this is who he will fix up as the Treasurer, he can do so. However, we take a much more humble approach in government. We know that the people of South Australia will decide. We do not take anything for granted. We know that it will be a difficult challenge for the government and for the opposition, but we are not going to be arrogant about it, as the member for Hart and others are.

In relation to the member's question, I cannot offer much more than that, other than again repeating something I said last year and, I think, the year before. For example, if we put on the public record how much we are putting aside in a budget which includes provisioning for wage and salary negotiations of a sensitive nature that we will have with the public sector association and with other public sector unions, how silly does the member for Hart believe the government ought to be that we would indicate the sort of provisioning that we have made for these sorts of sensitive negotiations? As soon as a union negotiator found out how much the government had provisioned, they would go back to the negotiations saying, 'The member for Hart got from the Treasurer in the estimates committees that you have \$X sitting in a contingency fund, part of which can be used to fund the extra wage increases that we want.' That might be the way that the member for Hart would like to run a treasury, but good luck to the people of South Australia in terms of

negotiations with public sector unions. If you are going to be a soft touch like that with the unions, then—

Mr Foley interjecting:

The Hon. R.I. LUCAS: Well, when your own leader stood on the steps of Parliament House supporting a 16 per cent pay increase for nurses, I did not see much control from the member for Hart in relation to that.

Mr Foley interjecting:

The Hon. R.I. LUCAS: Your leader, the Leader of the Opposition, on the steps of Parliament House, together with the shadow minister for health. There was not a whimper from the member for Hart. There was not a bleat on these issues from some of these culprits on the other side of the chamber. It is sensible that one does not reveal the extent of provisioning that one makes for wages.

An honourable member interjecting:

The Hon. R.I. LUCAS: That will depend on, for example, the success of wage negotiations with public sector unions. As I highlighted in last year's budget speech—

Mr Foley interjecting:

The Hon. R.I. LUCAS: That is a silly response from the member for Hart. Again, it does not give us much confidence about his knowledge of the Treasury portfolio if he says that we have signed off on most of the negotiations. He does not realise that every two years or so enterprise agreements come around to be renegotiated. I think he thinks they are lifetime enterprise agreements with the government on which the Jan McMahons and the John Gregorlys of this world are happy to sign off in perpetuity. They come up every two years or so, member for Hart, and we have a number of those coming up within the next year or two, and that will therefore impact on next year's budget and the following year's budget. We will not be the soft touch that the member for Hart sounds as though he might be, and we can only warn the people of South Australia through this fearless media that will be reporting the proceedings of the budget estimates today that that might be the approach of a potential alternative Labor government.

Mr Foley interjecting:

The ACTING CHAIRMAN: Order! The member for Hart is out of order.

Mr CONDOUS: I refer to Budget Paper 3, page 4.4. There have been an enormous number of letters to the editor expressing concern about the level of consultancies and the money spent on them. I know that the Treasurer has listened to these concerns. The Treasurer, on behalf of the government, made a commitment last budget to reduce the level of consultancies by \$40 million over the next two years. Is this commitment on target?

The Hon. R.I. LUCAS: As I said, we will wait for the whole day today. The member for Hart, and I understand we might be graced with the presence of the Leader of the Opposition later through the day—

An honourable member interjecting:

The Hon. R.I. LUCAS: You don't think so; I am disappointed.

Mr Foley interjecting:

The Hon. R.I. LUCAS: We would welcome it. As I said at the outset when I made the statement, I want to give as much time to the member for Hart who has—

An honourable member interjecting:

The Hon. R.I. LUCAS: No!

The ACTING CHAIRMAN: Order!

The Hon. R.I. LUCAS: The member for Hart has the opportunity to be able to explain this untrue claim that has

been made by the Labor party that the government is spending hundreds of millions of dollars a year on consultancies. In answer to the member for Colton's question, in last year's budget the government announced a significant program of slashing consultancy costs across the public sector. We said, 'We want to spend this money on schools, hospitals and police services, and we want to reduce the public sector consultancy cost.' The member for Colton will be delighted to know that last year, 1999-2000, the estimated public sector consultancy costs were about \$105 million. We are very pleased to be able to report that for this year, 2000-01—and we will wait for the results at the end of the year—it looks like being a reduction to about \$76 million, and that is a reduction of almost \$30 million in the year.

Instead of getting it down to \$65 million, which was the \$40 million cut, because of the rigorous nature of what we have done across the public sector, we now look as though potentially we will get that public sector consultancy cost down to under \$50 million, and that is a reduction in costs of more than \$55 million in two years. We believe that for next year the total public sector consultancy cost will be less than \$50 million, and we will be driving that hard to make sure that we get it as low as possible. I will be aiming for something lower than the \$50 million number, as will the ministers around the table. We put the challenge to the member for Hart; he has until 10 o'clock tonight. At the beginning of proceedings, he was given the opportunity to make a statement—and we will be happy to make provision later in the day for him to do so again—as to where these claims that the Labor Party has been making can be demonstrated anywhere in the budget papers.

All the budget papers are on the table, and the challenge we are putting to the member for Hart is: where can he justify the statement that the Leader of the Opposition, the member for Ramsay, made on Channel 7 on 31 May, when he said that hundreds of millions of dollars were being spent on consultancy? Even though the honourable member knew that that statement clearly was not true, he continued to make the claim that the Labor Party would spend more money in education and health by cutting into the hundreds of millions of dollars this government was spending each year on consultancies. It certainly was not even hundreds of millions of dollars in the first place, but we have this spending level down to under \$50 million. That is the target for next year, and the challenge, should they choose to take it up—in the words of *Mission: Impossible*—is for the member for Hart to demonstrate, by using any of the budget papers, that what the Leader of the Opposition is saying about consultancies is true, and he has until 10 o'clock tonight to do so. If we get to 10 o'clock tonight and he has not been able to do so, clearly that will be a concession by the opposition that what the Leader of the Opposition has been saying for the past few weeks is not true and cannot be backed up by any factual evidence from the budget papers.

Finally, I can understand the Labor Party's sensitivity on this issue, because the common trick of oppositions, in particular Labor oppositions, is to say, as the Leader of the Opposition has been saying, 'We will spend more money on education and health by slashing into consultancies.' Hundreds of millions of dollars—

An honourable member interjecting:

The Hon. R.I. LUCAS: That's right. The member for Peake just conceded it. It is on the *Hansard* record. A senior member of the opposition, the member for Peake, has conceded that that is right. Their strategy is to run around

saying, 'We will spend more money on education and health by slashing into the hundreds of millions of dollars spent on consultancies.' The problem for the member for Peake and for the Leader of the Opposition is that hundreds of millions of dollars is not being spent each year on consultancies. Next year, less than \$50 million will be spent on consultancies. So we have had the concession. I am delighted with the member for Peake. I hope he will stay with us until 10 o'clock tonight—

Mr Koutsantonis interjecting:

The Hon. R.I. LUCAS: Excellent! It is invaluable to have the member for Peake here. The challenge remains; I will not say any more. We have met our targets and more. We are now waiting for the member for Hart to try to defend his own leader in some of the statements which we believe are just not true, and the Leader of the Opposition knows that they are not true.

Mr CONDOUS: I probably am speaking on behalf of all members of parliament in relation to my question. I refer to Budget Paper 3, pages 4.4 to 4.5 and 9.7 to 9.8. With the budget always in danger with salary increases, what is the government provision for wage and salary increases whilst still keeping the budget in line?

The Hon. R.I. LUCAS: I can only repeat, in part, some of the response to the member for Hart's question, but I can say, contrary to some of the interjections from the member for Hart, that the government has in the forward estimates period—and obviously we have brought down a budget for the next three or four years—a significant number of wage agreements which we will have to negotiate and which will impact on our forward estimates. We have Public Service executives from 1 July this year; we have wages parity in the second half of next year; we have teachers in the second half of next year; we have medical officers from 1 January 2003; and then we have police and nurses again in 2004. As we look at this forward estimates period of four years—we had to bring down a budget not just for next year, but a budget which underpins the next four years—we have had to make sensible provision within those budgets for modest increases in salaries.

As I indicated in our first budget of around about 1998, the government in its second term changed its approach to wage and salary provisioning. For at least the first three years, we basically said that we would budget for zero wage increases and any wage increase had to be paid for by expenditure reductions within the agencies. For example, in those first three years within health or education there was no central provisioning for wage and salary increases: they needed to be paid for through reductions either in teacher numbers or in numbers within the human services sector. In the end, that was not a policy that could be sustained for any length of time. Towards the end of the first four years that policy was changed, and, in the start of the second four-year term, we have made modest provisioning for wage and salary increases for all these public sector groups in our forward estimates.

What I said in the budget speech—and I repeat today—is that should there be wage and salary increases above those modest levels of provisioning—and, for the reasons I outlined earlier, I am not prepared to indicate what they are—then that would be a pressure on the budget which would have to be met out of the modest provisioning we have for contingencies, through expenditure reductions in particular agencies, or a whole of government expenditure reduction such as some of those referred to earlier.

Mr Koutsantonis interjecting:

The Hon. R.I. LUCAS: The member for Peake by way of interjection asks whether we are cutting health and education: next year's budget has \$440 million more for health than 1997-98. I think the equivalent figure for education was \$280 million (something like that). If that is wrong, I will correct the record, but I think the similar figure for next year is of the order of \$280 million more than in 1997-98.

Mr CONDOUS: My final question relates to Budget Paper 3, page 4.2. One only hopes that the low interest rates, which the community is enjoying at present, can continue, but what are the interest rate assumptions in the budget and, even more importantly, would the Treasurer know in monetary terms what the impact would be on the budget if interest rates rose by 1 per cent?

The Hon. R.I. LUCAS: On the new much lower net debt figure that we have for the non-commercial sector, I am told a 1 per cent increase would be worth about \$23 million. It depends on how you define it, whether it is the general government sector, the non-commercial sector or the non-financial public sector; but, if I can give that caveat, for the non-commercial sector it is worth about \$23 million. That is a significant increase. It is about a third of what we collect from the community in the emergency services levy. I think my budget statement highlighted that, if we maintained state net debt at the levels that we inherited from Labor, obviously a 1 per cent increase in interest rates would have been catastrophic for a small budget such as our own. I have just had confirmed that the increase in education spending next year compared with 1997-98 was indeed \$280 million, which is the figure I used earlier.

The ACTING CHAIRMAN: In relation to the member for Peake's query a while ago, members can preface their questions either with a comment about the previous answer or by way of an introduction. We allow that, but it is at the discretion of the chair.

Mr FOLEY: Treasurer, can you explain a paragraph in Budget Paper 3, page 2.9, which states:

The government has allocated \$100 million over seven years to fund the salinity program. This is the state's contribution to the National Action Plan for Salinity and Water Quality which commits expenditure of \$1.4 billion over seven years to addressing the problems of salinity.

This is the bit I would like you to clarify for me; I am having a little difficulty in getting my mind around what you are saying here. It continues:

Each year it is intended that the expenditure will be offset by reductions in payments for past superannuation liabilities. This means there will be no net impact on annual budgets.

The reductions in payments for past superannuation liabilities will in turn be funded by payments of proceeds from the sale of Ports Corporation to FundsSA.

The difficulty I am having is that, if we are allocating \$100 million over seven years, in the wildest estimates of anyone's valuation of the Ports Corporation I do not think they have put it anywhere near that figure. Can the Treasurer explain to me how you—

The Hon. R.I. Lucas interjecting:

Mr FOLEY: I may be missing something, but can the Treasurer reconcile that statement for me?

The Hon. R.I. LUCAS: Sorry, the member went on to say, 'No-one in their wildest imagination believes the PortsCorp will be worth'—what figure?

Mr FOLEY: \$100 million over seven years—

The Hon. R.I. LUCAS: Yes.

Mr FOLEY: The Treasurer is saying in this paragraph that it will be funded from the sale of the PortsCorp.

The Hon. R.I. LUCAS: Yes.

Mr FOLEY: What I said was—

The Hon. R.I. LUCAS: You don't think the PortsCorp is worth \$100 million?

Mr FOLEY: I don't know. Sorry, it is \$100 million over seven years.

The Hon. R.I. LUCAS: Yes; it is not per annum.

Mr FOLEY: Sorry; that is my mistake. However, the Treasurer is saying that the sale of the Ports Corporation will more than compensate for the shifting of the superannuation liabilities.

The Hon. R.I. LUCAS: It is a difficult area, and I am not surprised that the member for Hart is having difficulty wrestling with it, but if the confusion for the member for Hart was whether it was \$100 million over seven years—

Mr FOLEY: No, that was my mistake.

The Hon. R.I. LUCAS: No, we are not talking about a PortsCorp worth \$700 million.

Mr FOLEY: No, that is not what I said. However, the Treasurer is saying that the sale of the Ports Corporation will fully fund the government's salinity program.

The Hon. R.I. LUCAS: In terms of the best estimating—

Mr FOLEY: The way you are working it through the superannuation liabilities: that is what I am getting at.

The Hon. R.I. LUCAS: The figure has been reached in terms of the best estimating that the Minister for Government Enterprises and his advisers—and talking to Treasury and others—can achieve. As the member knows, this particular statement is really the product of legislation that went through the parliament some months ago. It was actually included in the Ports Corporation bill itself, was it not (and I am going on memory)? This issue of the \$100 million was wrapped up in that particular debate and discussion, and we publicly announced that figure at that particular time. Certainly, to answer the honourable member's question, no-one ever knows until you reach a final process, but so far we have had no evidence to indicate that the provisioning originally outlined when we debated the PortsCorp bill in both houses of parliament and what is now in this budget—that is, \$100 million over seven years—would help fund our salinity program.

Mr FOLEY: I have not explained it very well. I very rarely have sympathy for the Treasurer, although sometimes I have more than he realises. On, I think it was, a Friday night I was sitting at home after a long day. I had cracked a stubbie of VB, sat back to watch the 6 o'clock news, and there we had John Olsen. I saw the Premier step off that plane, as he often does. He doorstopped at Adelaide airport and he said, 'I've signed off for \$100 million for a salinity program.'

The next question was: 'How are you going to pay it?' He said, 'Well, I'll have to give the Treasurer a ring to work that one out.' I thought that was very unfortunate for Robert, to have to receive that call on the weekend. Maybe the Treasurer should not send the Premier off to these conferences without the Under Treasurer or himself in tow. Why is the Treasurer revolving it through the superannuation loop? If we are going to get a lump sum from the sale of Ports Corp, why is that not put aside for salinity? Why is the Treasurer bringing it through the superannuation loop? I am at a loss to understand that.

The Hon. R.I. LUCAS: It is because the parliament required that of us. The legislation—

Mr Foley interjecting:

The Hon. R.I. LUCAS: No, you did. We did. In the debates and the discussion that we had with all interested parties at the time, we explained that this would be the process. I know from discussions that I had to have with some interested parties on the legislation that this complicated process had to be explained over and again. The simple reality is that the \$100 million over seven years funds our program. We get the proceeds of the Ports Corp and, obviously, we hope that it will be more than that. But let us say that we get \$100 million exactly: that goes in as an up-front payment, in essence, that puts us ahead of schedule in relation to the 40 year plan to repay unfunded super each year for the next seven years.

Mr Foley interjecting:

The Hon. R.I. LUCAS: Exactly. We would have had budgeted a past service superannuation liability, which comes out of each year's budget. There are a few complications in this at the edges, in terms of the earning rate of the fund and those sorts of things, but that only complicates it even further. Put simply, it means that each year we can reduce roughly by \$14 million, or whatever the adjusted sum is, from our past service superannuation. For each budget in future years there is this capacity to help us with the funding of the program, and it is a seven year program.

Getting back to the honourable member's explanation of his original question, I would have thought that this \$100 million for cleaning up the Murray is a bipartisan commitment. Certainly, this Treasurer welcomed the initiative from the Premier. I did not sit back over the VB at home dreading it: I thought what a terrific job the Premier had done. Here we were cleaning up the Murray. It is sad that a potential Treasurer in similar circumstances would go back for another VB—not even a South Australian beer, which is very disappointing—and bemoan the fact that a Premier had signed a significant billion dollar commitment to clean up the Murray. Treasurers must have marginally more vision than the VB and the television in their home and bemoaning what their potential leaders might do—marginally more vision than that.

Mr FOLEY: Let us get back to electricity. Does the contract fully cover the government's exposure and costs in relation to electricity, or is the government carrying any residual risk in relation to the contract, such as allowing interruptability in power supplies at times of high demand? Can the Treasurer give us some details of the contract?

The Hon. R.I. LUCAS: I will need to take advice from Minister Rob Lawson, who managed the negotiations. I understand that all those significant risks are not taken by government agencies. As I said at the time when I announced the contract on behalf of cabinet, we are actively engaged with retailers in our own agencies, looking at how we might be able to use embedded generation within government departments and agencies, demand site management, to try to reduce electricity costs.

Going back on my history as Minister for Education, I know that we did utility cost saving pilots in a number of our government schools, and they saved between 15, 20 and in some cases 25 per cent in terms of their electricity costs through simple things like turning off lights and not leaving heaters on. As to some of the options that were put by some of the retailers for the contracts, which involved significant pool price risk in certain circumstances for the government departments and agencies, there is none of that in the government departments' and agencies' contracts.

If the honourable member asks whether we have agreed in certain circumstances to get a cheaper price by using existing generators or something like that, I would need to double check. I do not believe that would be widespread, if it happens at all, but I would have to check with the minister.

Mr FOLEY: I refer to Budget Paper 3, appendix E, table E.2, which shows that the cost of the payroll tax training rebate in 1999-2000 was \$16.8 million and is budgeted to be \$12 million in 2000-01. Will the Treasurer advise the committee (either today or subsequently) what figure has been allowed in the forward estimates for this rebate in the years 2001-02, 2002-03 and 2004-05? Supplementary to that, whilst looking at rebates, there are two other rebates on which I would like some information.

One is the export rebate, which in 1999-2000 was \$3.7 million and which is budgeted to be \$4 million in 2000-01. Will the Treasurer provide the committee (today or at a later stage) with those figures over the forward estimates of 2001-02, 2002-03, 2003-04 and 2004-05? Finally, as a further supplementary question, will the Treasurer provide the forward estimates for the farm transfer exemption? That is the one where people can transfer the farm to their son, cousin, friend down the road or someone else whom they have known for some time and not pay stamp duty. I am happy for those questions to be taken on notice.

The Hon. R.I. LUCAS: In relation to the out years, I will need to take that on notice and bring back a reply. As the honourable member has acknowledged, the amounts for 1999-2000 and 2000-01 are there, which will give a rough order of magnitude, albeit acknowledging that the trainee rebates, as a result of decisions that were taken in last year's budget, have seen a reduction in the total costs of that. The government had a look at the provisions that related to that particular scheme and schemes and believed that it needed to be tightened. As a result of that tightening, we have seen a significant reduction in the total cost of that scheme.

In its original intention and continuing, it is a very worthwhile scheme, but we thought that it was being broadened in some areas beyond what the original intention might have been and should have been, and we took decisive action in last year's budget, and the benefit of that is seen in table E.2. I am happy to take all those other questions on notice.

Mr MEIER: The Treasurer would certainly remember and most of us would remember that prior to the Liberal government taking over, the previous Labor government was overspending its budget by about \$300 million each year. I recall, particularly in the past two years (it might have been before that), most shadow ministers have supported significant additional expenditure in their portfolio, so it looks as if the thinking of budget blow-outs is still in their minds. What capacity is there in this budget to maintain balanced budgets and deliver all this additional expenditure that the opposition seems to want? There are various lines, which might take me a little while to point out. We could start with item 4.4 in Budget Paper 3 in relation to wages.

Mr KOUTSANTONIS: On a point of order, sir: the Treasurer has no responsibility to this estimates committee or this House for any statements made by opposition spokespeople.

The ACTING CHAIRMAN: I took it as a preface to the question.

Mr KOUTSANTONIS: His question was directly about statements. He did not write it down; he just read it out verbatim. I know what you said; you can read it from

Hansard if you like. He asked what the outcome on balanced budgets would be if shadow spokespersons' apparent promises were carried out. It is a hypothetical question and he has no responsibility for it in this House.

The ACTING CHAIRMAN: Will the member for Goyder repeat the question?

Mr MEIER: After the preliminaries, my question was: what capacity is there in this budget to maintain balanced budgets and deliver all this additional expenditure?

Mr Koutsantonis interjecting:

The ACTING CHAIRMAN: Order! The Treasurer will answer the question, not the member for Peake.

The Hon. R.I. LUCAS: The sensitivity of the Labor Party, trying to gag debate in estimates! We have a senior member of the Labor Party—

Members interjecting:

The ACTING CHAIRMAN: Order! The committee will come to order.

The Hon. R.I. LUCAS: We have a senior member of the Labor Party trying to gag debate on the budget estimates. It is very disappointing.

Mr Koutsantonis interjecting:

The ACTING CHAIRMAN: Order! The member for Peake is out of order.

The Hon. R.I. LUCAS: Exactly. For the first hour and five minutes—

Mr Koutsantonis interjecting:

The ACTING CHAIRMAN: Order! The member for Peake will come to order.

The Hon. R.I. LUCAS:—the opposition concentrated on federal issues and opinion polls, and the member for Peake challenged the government to hold an early election.

Mr Koutsantonis interjecting:

The Hon. R.I. LUCAS: 'Absolutely,' he says.

The ACTING CHAIRMAN: Order!

The Hon. R.I. LUCAS: Now he is complaining about not addressing issues in the state budget.

The ACTING CHAIRMAN: Order! The Treasurer will answer the question.

The Hon. R.I. LUCAS: Thank you, Mr Acting Chairman. Even the member for Peake—

Members interjecting:

The ACTING CHAIRMAN: Order! There is far too much noise in the committee. The members for Hart and Peake will refrain from interjecting. The Treasurer.

The Hon. R.I. LUCAS: Even the member for Peake is mildly embarrassed at his inconsistency during this question. It is a very important question in relation to whether there is capacity to balance the budget, as governments and alternative governments are promising, and to engage in wild and uninhibited spending, as shadow ministers and other members of parliament are predicting. Without going through all the details—I do not want to take up the time of the committee any more than I have to—Labor commitments in the latest AEU journal about lower class sizes from the shadow minister for education and statements by the shadow minister for health about additional spending in human services are just two of very many commitments being given by the Labor Party. I know the sensitivity of the member for Peake, because he knows—

Mr Koutsantonis interjecting:

The Hon. R.I. LUCAS: There is a lot in the budget about balancing the budget—

Mr Koutsantonis interjecting:

The ACTING CHAIRMAN: I warn the member for Peake. If you want to try me on, the parliament will be here again tomorrow. Say it again; try me.

Mr FOLEY: On a point of order, sir: what was that comment you made there?

The ACTING CHAIRMAN: I warned the member for Peake. He was reflecting on the chair.

Mr FOLEY: Then what did you say?

The ACTING CHAIRMAN: It does not matter what I said.

Mr FOLEY: No; what did you say after that?

The ACTING CHAIRMAN: Order! The member for Hart will resume his seat. The Treasurer has the floor.

Mr FOLEY: What did you say after that?

The ACTING CHAIRMAN: I was speaking to the member for Peake. The Treasurer will continue.

The Hon. R.I. LUCAS: I do not want to delay the proceedings of the committee, but all of this unruly behaviour from the opposition just means that they do not have any questions on the budget. I am disappointed that this is the best they can do. It is a simple point. Without going through it all, because we have documented—

Mr Foley interjecting:

The ACTING CHAIRMAN: Order! The member for Hart is out of order. The Treasurer will answer the question.

Members interjecting:

The ACTING CHAIRMAN: Order! The committee will come back to order.

The Hon. R.I. LUCAS: The government has documented all the promises and commitments in relation to these issues. I will not delay the proceedings today by going through all of them. All I can say is that there is no way that we have the capacity in the budget to pay for all of these additional expenditure items and still have a balanced budget. The only way it can be done is through a significant blow-out of the budget deficit.

Mr MEIER: I notice that under the heading of 'Wages', Budget Paper 3 states that the largest single outlay for government is wage and salary costs. It follows therefore that any significant unbudgeted movement in wage costs would adversely impact on the government—

Mr FOLEY: I take a point of order, sir. We have already had this question; can they at least get their questions right?

Members interjecting:

The ACTING CHAIRMAN: Order! The committee will come to order.

Mr FOLEY: He's already asked the question.

The ACTING CHAIRMAN: Order!

Members interjecting:

The ACTING CHAIRMAN: Order! The member for Hart is out of order and the member for Goyder is out of order.

Members interjecting:

The ACTING CHAIRMAN: Order! The committee will come to order. It is five minutes before the luncheon break. I suggest the committee all take a deep breath and calm down little. The member will ask the question and the chair will judge whether it has been asked before.

Mr MEIER: Without further explanation, my question is (listen carefully): how do South Australian public sector wage increases compare with the private sector?

The Hon. R.I. LUCAS: There are significant amounts of egg on the member for Hart's face. The member for Hart made an unfair reflection on another member by indicating that he was asking a question that had already been asked,

and he has embarrassed himself. It is for his colleagues to measure his performance this morning, but it has not been impressive. What it has to do with the budget is that page 4.5 of Budget Paper 3 is an important part of the state budget. If the shadow Treasurer does not think that trying to ensure modest wage increases in the public sector over a period of time is an important issue, it will be very disappointing for any future government to which the shadow treasurer might be a party. One of the challenges for any government is to try to ensure modest public sector wage growth and that you do not have a blow-out, in particular compared to private sector wages over a period of time.

This budget paper at page 4.5 and some other information we have indicate that in the period between August 1994 and February 2001 the public sector average weekly ordinary time earnings of full-time adult employees (that is an ABS measure) grew at an average of 4.7 per cent per annum. It was the most moderate wages growth of all the mainland Australian states, below the national rate of 4.9 per cent. At the same period Victoria had an increase of 5.3 per cent, Western Australia 5.4 per cent and New South Wales 5 per cent. So, public sector wage increases have been modest in comparison with other public sector wage increases in other states. Some similar figures which I do not have at my fingertips but which I am happy to provide on notice show that it varies, but over a recent period of time the public sector wage increases in South Australia have been modest compared with private sector wage increases. I will take that on notice and bring back a reply.

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

Membership:

Mrs Geraghty substituted for Mr Koutsantonis.

The Hon. R.I. LUCAS: I took on notice the member for Goyder's question in relation to public-private sector wage increases. Public sector wages growth in South Australia since November 1997—so the second term of this government—has been 17.9 per cent, just below the comparative private sector wage growth figure of 18.9 per cent. The point I was making before lunch—and I will not labour it—is that it is important to ensure that wages growth, to the extent it is possible, is kept at a modest level. One measure of that has been movement in other states of public sector wages (I highlighted that before lunch) and this measure in the past 3½ years is a measure of the comparison in South Australia with the comparative private sector wage growth figures.

Mr FOLEY: I have a question I should have asked at the outset. The minister can take this question on notice: could the minister list all consultancies let during 2000-01, indicating to whom the consultancies were awarded; whether tenders or expressions of interest were called for each consultancy; if not, why not; and the terms of reference and cost of each consultancy? Secondly, what are the amounts provisioned for consultants in your portfolios for 2001-02, 2002-03, 2003-04 and 2004-05.

I will make a brief comment on the banter which occurred prior to lunch about Labor governments in office and budget promises, and whatever. Obviously, the Treasurer is not able to be in this place when we mention issues relating to budgetary matters. The Labor Party is committed to working within your budget parameters and forward estimates. The Labor Party will fund its initiatives at the next state election from within existing resources. Labor will deliver your

balanced budgets as you have outlined them for this year and for the forward estimates period, as the starting point; and one would hope to improve on the balanced position of the budgets, but certainly your balance becomes our balance and your parameters become our parameters and we will not be working outside those parameters.

That should put to rest, once and for all, any suggestion by you or others that Labor would do anything other than that. The reality is that I have a confidence in my abilities, to the extent that I think I can identify sufficient savings within your parameters to fund any programs that Labor may choose to announce during the course of the election campaign. I am more than confident that there are adequate savings to be made from agencies within government, and I look forward with relish to the opportunity to start a review process—should we be lucky at the next election and be successful—to strip away some of those areas of government expenditure that I am confident can be identified and would be better spent on Labor priorities. So, let us not have any nonsense about Labor's spending going into the next state election.

My question is about SAFA. SAFA's contribution to the budget in 2001-02 is forecast to increase from \$31.5 million in 2001 to \$110 million in 2001-02. What are the components of this contribution, that is, annual distribution and a one-off reduction in SAFA's capital base?

The Hon. R.I. LUCAS: I think that was the second question. I did not get a chance to answer the first question.

Mr FOLEY: No; the first question was a preamble.

The Hon. R.I. LUCAS: I did not get a chance to answer the first question.

Mr Foley interjecting:

The Hon. R.I. LUCAS: Okay, so the question is in relation to SAFA. I was concentrating on the member's first question (which was evidently a preamble) and not the second. My Treasury officers, who believe they understood the member's question, say that the answer is 38. If on checking the *Hansard* record I believe we have not fairly interpreted the honourable member's question and there is a different answer, I will undertake to clarify that response.

Mr FOLEY: I identified what the annual distribution was. I wanted to know the components of the contribution, that is, annual distribution and a one-off reduction in SAFA's capital base.

The Hon. R.I. LUCAS: The Treasury officers' advice is that 38 of the contribution is the reduction in the capital base.

Mr FOLEY: Sorry, I was not listening properly.

The Hon. R.I. LUCAS: As I said, I did not hear all the explanation. If I need to clarify that in the fullness of time, having looked at the transcript, I will expand on the answer within the normal time frame.

Mr FOLEY: You were thinking of a political reply to my preamble, weren't you? You should have been concentrating on my question.

The Hon. R.I. LUCAS: No, I was thinking of whether I was going to answer your question on consultancies. I have the answers here.

Mr FOLEY: Well, you can if you like but it would be better to have them on notice.

The Hon. R.I. LUCAS: We would waste the time of the committee, I think.

Mr FOLEY: What is the estimated capital base of SAFA as at 30 June 2001?

The Hon. R.I. LUCAS: I am advised that as at 30 June 2001 the capital base retained earnings is \$240 million.

Mr FOLEY: What is SAFA's new debt to equity ratio and how does this compare with other financing authorities in New South Wales, Queensland and Victoria?

The Hon. R.I. LUCAS: I am advised that as at 30 June last year, which was when a lot of this work was done in terms of comparing us with other equivalent organisations in other states, SAFA's equity as a percentage of total asset ratio was 1.7. In Queensland it was 0.9; Victoria, 0.7; Western Australia, 0.5; Northern Territory Treasury Corporation, 1.5; New South Wales Treasury Corporation, 0.1; and Tasmania, 0.2.

Mr FOLEY: As at 30 June 2000?

The Hon. R.I. LUCAS: Yes.

Mr FOLEY: Can you provide estimated figures? I suppose we will have to wait for the annual report for this year.

The Hon. R.I. LUCAS: We will have to wait for the annual reports of the other states. We do not have those reports, but we are not aware of significant movements. In relation to ours, the back-of-the-envelope estimate is that it might be marginally higher than 1.7 as at 30 June 2001, but we do not know what the other states have done. But on that measure, we were more than adequately provisioned.

Mr WILLIAMS: In relation to the government's objectives in involving the private sector in development of infrastructure, can you indicate what public investment projects have been nominated as public/private partnerships and say what is the total value of these projects nominated in the 2001-02 budget?

The Hon. R.I. LUCAS: I will be as brief as I can. One could speak at great length in relation to Partnerships SA. It is essentially driven on the back of initiatives which the government and its officers have seen in the United Kingdom and some other jurisdictions and which have been taken up more recently in Victoria and New South Wales. Some of the independent studies in the United Kingdom have indicated that projects that have been suitable for public/private partnerships have delivered savings in the order of 15 to 20 per cent compared to traditional procurement methods.

The government has announced in the budget papers—I am not sure which ones, but in a number of them—that we were prepared to consider looking at the projects such as the Investigator Science and Technology Centre; the State Aquatic Centre; the Glenelg transport corridor, particularly the trams; the Cavan Youth Training Centre; the Barossa Valley Hospital; the new women's prison; as well as some police stations in country and city areas. With the more recent examples in Victoria, particularly the Victorian court complex, with partnerships UK/SA or Victoria, or wherever it happens to be, the original incarnations were seen as ways of delivering projects such as transport projects and others. Clearly, the fact that Victoria has managed to accomplish some private sector infrastructure involvement in projects such as the courts complex demonstrates that the method has the capacity used across a broad number of portfolio areas. That has certainly been the case in the United Kingdom under Prime Minister Blair. I think in the budget speech I used a figure of \$A40 billion worth of projects that the UK government has got up involving public/private partnerships.

We have established a small unit in Treasury and Finance. The major carriage of the projects will rest with the agencies that are involved. So, if it is a hospital it is obviously the Department of Human Services that will have the major carriage. In terms of the whole of government collective advice and wisdom as to how best to structure these projects,

each of the agencies will be required to work closely with me as the Treasurer, as well as with Treasury and Finance and the people within the department to provide assistance. We have brought out to South Australia one of the key UK people to spend some time with our Treasury people as well as some of the agency officers who will be involved in this area to try to learn the good and the bad of what they did in the UK. As with any new program, there have been wrinkles in the system that have had to be worked out, and we have valued being able to talk to that person to learn a little about that before we go too far down that path.

Mr WILLIAMS: I refer to Budget Paper 5, volume 1, page 3.1 through to 3.35. What has the government done through this budget to promote the viability of the rural sector in South Australia? Quite a few figures are coming out as to the importance of the rural sector not only to our economy generally but also particularly to our exports. What are we particularly doing to maintain the viability of that sector?

The Hon. R.I. LUCAS: There is a whole series of things but, again, I will not go into them during the estimates committee. Clearly, the whole regional statement—as the member for MacKillop would know—outlines a whole series of spending programs for departments and agencies. I know that in my own portfolio of Industry and Trade with the Regional Development Infrastructure Fund and a variety of other programs which exist that significant assistance is provided in regional communities to try to get new industries and businesses up and going. As the member for MacKillop would know, some parts of regional South Australia are hard to recognise these days compared to what they were some years ago. The revival in some of those communities has been terrific.

In relation to the Treasury and Finance portfolio, specific provisions have been introduced by the government over the years, in particular, the refinancing of mortgages on the closing of bank branches, the reinstatement of stamp duty exemption for rural debt refinancing, as well as the refinancing of the mortgage on the opening of bank branches. Rather than going through all the detail of these particular briefings, I am happy to provide further detail for the member for MacKillop as to how those individual programs have assisted and our best estimates as to the number of people who have been assisted in those areas. It may well be an opportunity for the member for MacKillop as well as other country members to share some of that information amongst their constituents.

Mr WILLIAMS: You have mentioned stamp duty rebates or waivers under certain circumstances for the rural community. What stamp duty assistance does the government provide to business in general, such as businesses that are restructuring to increase their efficiency?

The Hon. R.I. LUCAS: Again, a significant amount. Under corporate restructuring, this government provides a significant amount, as do all states to varying degrees. We are currently looking at our guidelines in relation to that matter. Some states legislate their guidelines for stamp duty concessions for corporate restructuring and others work off guidelines. At this stage, our intention is probably to work off guidelines; we have had active discussion with interested parties about those guidelines, and we are moving rapidly down that path. It is a difficult and complex area. Having been the Treasurer for just over three years, I know there are many arguments why one company qualifies for assistance for corporate restructure and others do not. They are complex guidelines and, ultimately, complex decisions on which

Revenue SA advise me as Treasurer, and they can be significant. Some of the corporate restructure benefits that other state governments have provided do place pressure on South Australia because a company will come to us and say, 'We are nationally restructuring. It impacts on every state, and New South Wales and Victoria have given us this exemption. You are the only state in Australia that has yet to give us the exemption or concession.' In some cases, that remains the case, and we are not able to do so. In other cases, they fit within our broad guidelines and we have been able to provide the concession. So, yes, we continue to provide a complicated scheme of corporate reconstruction stamp duty concession.

Mr FOLEY: Again referring to SAFA, SAFA had loans to the government of \$5.854 billion carrying value in the year 2000. The net fair value of these loans was \$6.063 billion, some \$200 million higher. What are the factors contributing to this variation?

The Hon. R.I. LUCAS: The \$5.8 billion is on the basis of the common public sector interest rate that we charge, which is the historical rate. Was it the \$5.8 billion figure that you quoted?

Mr FOLEY: I am happy for the officer to answer it.

The Hon. R.I. LUCAS: I will take up the invitation. Mr Kevin Cantley can explain the \$6 billion figure.

Additional Departmental Adviser:

Mr. Kevin Cantley, General Manager, South Australian Government Financing Authority

Mr CANTLEY: The loan to the government is based on the commonwealth public sector rate, which is the average historical borrowing cost of SAFA's borrowings from the external market. Those interest rates have fallen, so the market value of those external liabilities is higher than their book value and that is correspondingly reflected in the loans to the government at CPSIR. So it is effectively a pass-through of the interest costs and a pass-through of the market value differences.

Mr FOLEY: On a similar theme, as of 30 June 2000, SAFA had investments on their books at a carrying value of \$1.449 million. The net fair value of these assets was \$1.476 million. Could you comment on that?

Mr CANTLEY: It is a similar response: it just represents movements in interest rates from the time the original assets were purchased, so the book value is what the historical cost was and the net fair value is their current replacement cost which would represent changes in interest rates since the time the original asset was purchased.

Mr FOLEY: Can I ask a question on SAAMC, the bad bank?

The Hon. R.I. LUCAS: Yes.

Mr FOLEY: As at 30 June 2000 the bad bank, as I call it, had a retained surplus available for distribution of \$296.9 million. What is the estimated retained surplus of SAAMC (the bad bank) as at 30 June 2001? What assumptions have been made regarding future operating surpluses and have these been factored into forward estimates?

The Hon. R.I. LUCAS: I am told that the retained earnings at 30 June 2001 are about \$334 million; for 2000-01 we factored in \$58 million; and for 2001-02, \$194 million.

Mr CONDOUS: My questions all relate to Super SA. Why has there been an increase in the annual administration fees to be charged to members of the Triple S scheme in recent years?

The Hon. R.I. LUCAS: I am advised that the administration fees for the Triple S scheme are determined by the SA Superannuation Board. Since October 1996 the board has embarked on a significant program of updating administration and member services to meet the needs of members to try to provide a level of service equivalent to that in the superannuation industry generally. Further enhancements are planned by the board to ensure that the administration fees charged to members are sufficient to cover the costs of administration services provided, and the board recommended an increase in the administration fees to be charged to members. The fees that apply for this year are \$50 for a member who has had active membership during the year and \$40 for preserved accounts. All accounts are subject to a minimum fee of \$10. I am further advised that the administration fees compare more than favourably with the fees set by comparable major Australian superannuation schemes.

Mr CONDOUS: Relating to Budget Paper 3, page 7.13, what is the increase in the superannuation guarantee from 8 per cent to 9 per cent of salaries going to cost the government in July 2002?

The Hon. R.I. LUCAS: The simple answer is that the estimated cost to the government of that increase in the guarantee from 8 per cent to 9 per cent of salary is about \$22 million per annum. That has been included in our budget for forward estimates.

Mr CONDOUS: My final question again relates to Budget Paper 3, page 7.13. What is the increase in the level of employer support from 9 per cent to 10 per cent for contributory members going to cost the government from 1 July 2002?

The Hon. R.I. LUCAS: I am advised that the cost is \$5 million but that that is a component of the \$22 million cost referred to in the answer to the member's previous question.

Additional Departmental Adviser:

Mr R. Harper, Chief Executive Officer, Funds SA.

Mr FOLEY: I have just a couple of questions of the Treasurer. First, could you provide for the committee—obviously not today—a list of all fund managers that your funds are placed with; if you could just provide a breakdown on who manages what in terms of our portfolio of funds?

The Hon. R.I. LUCAS: I am happy to do that but it is actually in Funds SA's annual report. We are happy to—

Mr FOLEY: We do not have this year's annual report so there may have been changes. That was the import of my question.

The Hon. R.I. LUCAS: We can certainly provide a new list. I will check whether some fund managers have gone. I understand that there have been five new fund managers, including Rainier Investment Management, Credit Suisse Asset Management, Business Equity Fund, Equity Partners 2 Trust and Technology Venture Partners No. 3 Fund. I am advised that these are the five new managers, the last three being very small.

Mr FOLEY: I hope that is a small exposure.

The Hon. R.I. LUCAS: Not much exposure at all. We will check whether or not any managers are not on the list now that were in the previous annual report.

Mr FOLEY: With some indulgence, Treasurer, I want to put something on the record. This is not any criticism of yourself—because this was also the case under Labor governments—but it is something that has bothered me for

some time, and that is the operations of the office of the Public Trustee. I appreciate that that comes under the portfolio of your colleague the Attorney-General. What bothers me with the Public Trustee is that we have under management in the Public Trustee, I understand, somewhere in the order of half a billion dollars of assets.

I am advised, and from discussions and investigations I have made, that, in effect, the Public Trustee runs its own funds; it picks its own stocks, it chooses its own allocation of asset classes on behalf of, obviously, the people whose assets are tied up with the Public Trustee. It does that under statute and it has done this for many years under statute, under governments of both persuasions. From my point of view, that worries me because I think that, particularly given the experiences of the 1980s with the bank and SGIC and whatever else, having such a large amount of money—which ultimately the Public Trustee would argue is not the government's money but ultimately it provides a guarantee so, therefore, it is the government's money—there is an overwhelming case for governments to look at consolidating those funds, logically under Funds SA or some other mechanism.

Have you given this issue any consideration? As I said, this is not a trick question or a criticism at all but it is just something that I think governments should have a very close look at, because I fear that it is less than satisfactory to have an operation where a particular arm of government is able to effectively run its own fund in such a manner. I think that the risks involved are unacceptable, notwithstanding that this operation has performed very well to date.

The Hon. R.I. LUCAS: My recollection is that we had a brief discussion about this either during last year's estimates or the estimates before. Certainly, without talking about the Public Trustee—there are a number of other bodies or agencies—the government has contemplated policy options. As I understand it, it is not possible under the current Funds SA legislation for this to occur. There would need to be a change in policy, first, and then a change in legislation. The member is right: part of this question obviously needs to be directed towards the minister in charge of public trustee, the Attorney-General. We have had some discussions. I hasten to say that I have not had any evidence presented to me which would indicate that there were major financial concerns about public trustee. I know the honourable member is not suggesting that; I say that just in case people read the *Hansard*. Nevertheless, governments of whatever persuasion will need to consider further that genuine policy question.

We have been through the discussion and the argument, and there is certainly an argument about the types of moneys that public trustee has to deal with as opposed to the types of moneys that Funds SA has to deal with in managing estates and a variety of things like that. Of course, various models may or may not get across that issue, and all those models can be part of a potential policy option for either this or a future government. At this stage we have not progressed beyond a continuation of the existing arrangements—I hasten to say in relation not just to public trustee but some others that the government is considering as to what its alternative might be, if any. Ultimately, as I understand it in virtually all of them there would have to be parliamentary debate on it. Clearly, some people might be concerned about any changes to existing arrangements. They may be quite comfortable with the existing arrangements in relation to some of these other agencies and organisations.

Mr FOLEY: That was a good answer, Treasurer. I did not realise that I raised the matter last year. It must be a bugbear. I must go back and read my *Hansard* before I start each of these estimates so that I can remember what I said. Treasurer, you obviously have a better memory than I. As the Treasurer says, it is no reflection at all on the current performers. The performances have been very good to date, and it is no reflection at all on the administration. I am sure that the public trustee will read this *Hansard*, and that I will get another letter from her as a result of my raising it in another forum just recently, when it was pointed out to me that it was against the law to be talking about this. I would suggest that is why, Treasurer, you and I are in this place—to make the law. I take the Treasurer's point that it is a couple of other areas of government that could be brought into that discussion; it is a discussion worth having.

Funds SA was to provide \$18 million to the 2000-01 budget, and in the end it provided \$22 million. For 2001-02, it is to provide nothing. Can the Treasurer explain the somewhat erratic patterns of dividends from Funds SA?

The Hon. R.I. LUCAS: There is a simple answer as to why it is not next year. This relates to the wrap-up of the casino deal which we discussed in last year estimates committee. That explains why it is not in next year's budget or the budget of the year after. I will take on notice that part of the question dealing with what, if any, difference there was in last year's estimate and what occurred, and give an explanation to the member as to why there might have been a difference, if any.

Mr FOLEY: I have no further questions on Funds SA, which is a well managed function of government.

Additional Departmental Adviser:

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

The ACTING CHAIRMAN: Minister, do you wish to make any opening remarks?

The Hon. R.I. LUCAS: No, sir.

Mr MEIER: I refer to Budget Paper 3 (page 8.12). Will the Treasurer outline what activities the Motor Accident Commission plans to implement as part of its ongoing campaign to combat fraudulent claims?

The Hon. R.I. LUCAS: Just briefly, in terms of the quantum of the problem that we confront, it is estimated by the insurance industry that approximately 5 per cent of claims payments are paid in fraudulent claims. This represents a cost to the CTP fund in the vicinity of \$10 million per annum. Obviously, the more we can do to reduce the extent of fraudulent claims, the more we can do to reduce the size of any future CTP premium increases.

In 1995-97 and 2000, MAC and SGIC had successful advertising campaigns that generated a significant number of calls from the public. It is estimated savings to the CTP fund will be at least \$2 million. It is expected that more savings may accrue as a number of matters are still being followed through by the courts. The 2000 anti-fraud campaign cost \$115 000. In 2000, we were advised that 287 calls were made as a result of the campaign, and that was much higher than it was in previous years.

Mr MEIER: In prefacing my question, I note that the minister has identified some of the savings. What savings have been achieved by the increase in road safety mass media advertising by the Motor Accident Commission? Does the minister think that is an appropriate utilisation of its funds?

The Hon. R.I. LUCAS: I am told that in September 1996 the government had a report prepared by the Monash University Accident Research Centre which demonstrated a clear link between increased enforcement, increased mass media advertising and a reduction of the road toll in Victoria during the period 1989-1993. The government adopted a number of recommendations from that report. Further research has been conducted since 1998. It is now being conducted by the University of South Australia to further assess the link between mass media advertising levels and the speed at which motorists travel. I will not go into all the details of what they are looking at. However, we are told that the results of that further research by the University of South Australia should be available within the next few months. MAC will release the details of the program at an international speed conference in Adelaide in August this year.

Mr MEIER: I refer to Budget Paper 3 (page 8.13). What changes are proposed for the Motor Accident Commission?

The Hon. R.I. LUCAS: Members will recall that at the start of 1998 the government indicated that scoping studies would be undertaken on a range of government agencies and bodies as to whether or not they would be privatised. In the end, we indicated that different decisions would be taken for different assets. The government announced earlier this year that the Motor Accident Commission (MAC) would not be privatised and would remain the sole provider of compulsory third party insurance in South Australia. A whole series of reports was done over a number of years, all with slightly varying conclusions and suggestions. Ultimately, the government made the decision on that earlier this year.

I would say the fact that we do not have exposure to the private market, in particular to HIH in terms of CTP, obviously has been an issue of some benefit to South Australian taxpayers as opposed to some other states. However, as a result of that decision, minor changes will be made to the operation of the CTP scheme based on some of the review recommendations. It is intended that the legislation will be amended to confirm that MAC will be run as a social fund (to use a working title rather than perhaps what might be in the legislation), as opposed to its being a commercial business activity for competitive neutrality or national competition policy purposes. One of the other changes is that it may well be that Transport SA will take over the function of providing a secretariat for the Third Party Premiums Committee, which is an independent body which advises the government on the level of compulsory third party premiums in South Australia.

Mr FOLEY: I suspect, Treasurer, you are probably breathing a sigh of relief that you did not pursue your privatisation plans with the Motor Accident Commission. Imagine where we would have been had HIH been a player in the market here in any substantial way. I suspect that neither you nor I will be receiving a visit from the Insurance Council of Australia for a while trying to convince us of the merits of privatising our CTP funds. Following the government's dividend from the Motor Accident Commission this year and the coming year, what does the Treasurer expect the accrued MAC surplus to be for 2001-02?

The Hon. R.I. LUCAS: If the question is, 'What is the profit or otherwise on total MAC operations for 2001-02 likely to be?', we are told that it is likely to be about break-even. We will know, of course, within a few days.

Mr FOLEY: At the end of June. Can the Treasurer make some comment on the issue of premiums? Obviously, there

is ongoing pressure. What is the current thinking within government as to the need for any further premium increase to sustain the financial position of the Motor Accident Commission?

The Hon. R.I. LUCAS: I cannot remember exactly when I announced it, but I think two weeks ago I announced a 4.7 per cent increase in CTP premiums. The government takes advice from the independent Third Party Premiums Committee, which recommended a more significant increase of the order of 13 per cent. It said that the minimum break-even premium increase that was required was 4.7 per cent; and that is the level of increase to which the government agreed. I think when parliament reconvenes, if it has not been done already, the Minister for Transport has to table the recommendation from the independent Third Party Premiums Committee. As I said, on behalf of the government, I publicly announced the government's decision.

In terms of the government's feeling on third party premiums, clearly from the government's viewpoint, we do not want to see third party premiums increasing any more than they have to. So, there is an increasing task for Mr Vogt and the board to continue to perform as well as they have been in recent times to take as much pressure as possible off the level of the premium increase. The reality is that some of the liabilities and some of the cases that all similar funds and companies are facing nationally means that there is enormous pressure on funds and fund activities, and the Third Party Premiums Committee has its job to do and continues to do it.

It will continue to advise governments about more significant increases than the break-even level in terms of increasing the solvency level of MAC. Ultimately, of course, the government and the taxpayers of South Australia are the people who stand behind the Motor Accident Commission, and governments will have to be ever vigilant in terms of that balance between an appropriate level of premium increase to ensure that MAC can continue to meet its commitments, but equally, as governments always will, with one eye on the level of those premiums on taxpayers and car owners. One way of doing that will be to try to see how our level of premiums measures up to other states. I do not know whether we have any figures, but certainly in recent years—anyway, when I last saw them—we did not compare too badly with the majority of the other states.

I am told that we are around about the middle of the range for a standard car in the metropolitan area; and in the country, we are around about the middle of the range. So, we are not the highest, we are not the lowest, but we are somewhere in the middle.

Mr FOLEY: I must have been hoeing into you on electricity the day you released that and that one went through to the keeper. I did not realise you had announced that. Treasurer, given that we are operating in a spirit of cooperation this afternoon—as I said, it is surprising what happens when the cameras are not around—can you indulge me? I did not get the opportunity to ask you about HIH in general, and whilst this is not an issue relating to the Motor Accident Commission, clearly you have been asked questions by the opposition and we have asked the Premier. We have been waiting for some more definite response from your government as to how you are dealing with the HIH issue in South Australia. Given that I and many of my colleagues are receiving a number of inquiries from victims, particularly in the building area, is the Treasurer able to advise parliament as to where the government is at with its position?

The Hon. R.I. LUCAS: We continue to have discussions with the commonwealth and other state jurisdictions about what various governments are doing. Builders' warranty insurance is the one which has been raised most frequently in relation to South Australia. Obviously, a number of the other states have had significant exposures either to workers' compensation or compulsory third party, and, in both those cases, we either have none or virtually no exposure. The builders' warranty insurance is more broadly based in terms of the issues that are raised for some people in all the states and territories. As of the most recent discussions—and I just confirmed that then—the only two state jurisdictions which have come up with a proposal for assisting in this particular area are New South Wales and Victoria.

South Australia, Western Australia, Tasmania and the ACT have not made any announcements in relation to what, if any, assistance they will provide. Queensland does not have the problem or the issue because there is no state government operated scheme; and the Northern Territory does not either because builders' indemnity insurance is not compulsory and HIH did not underwrite any policies: so those two get ruled out. At this stage, the only two states that are providing us—

Mr Foley interjecting:

The Hon. R.I. LUCAS: Sorry, Queensland has a state government operated scheme but it has no exposure—my apologies for that. The Northern Territory is the one that does not have it mandated. Those two states do not have an issue. Two states have announced assistance—New South Wales and Victoria—and the other four jurisdictions, including South Australia, have not made any announcement. That does not mean that nothing is happening. We are continuing to have discussions. I have said publicly, on behalf of the government, that we start from the position that we do not believe the taxpayers of South Australia should have to bail out privately owned corporations and businesses, which, sadly, go bang in a big way—and this looks like being a very big one.

If, ultimately, there is some sort of national package where all the commonwealth, state and territory governments have agreed to something, we would further consider our position. We are looking at what we might do if those circumstances come about—the details—and what the cost might be for South Australian taxpayers. As I said, at least we start from the position that we do not believe that the taxpayers of South Australia should have to be involved, but we see what is occurring in the other states. Whilst none of the other states has announced anything, we are led to believe at officer level that something might be coming.

That, of course, depends on the attitude of the governments in those jurisdictions. Both New South Wales and Victoria have raised money to help the bail-out through a tax or a levy. In Victoria, building permits have increased, and in New South Wales an insurance protection levy on insurance companies is to raise \$69 million per annum to cover all relief, not just builders' warranty insurance.

Both those states have implemented imposts in some way on part of the community to help fund (while not completely funding) the cost of the bail-out that they have proceeded with. It is a work in progress, if I could summarise it. We will continue to talk with the other states and territories and the commonwealth. If everyone else agrees on something, we would reconsider our initial position.

Mr FOLEY: Are New South Wales and Victoria offering total coverage or part coverage?

The Hon. R.I. LUCAS: We do not know the exact details, although we can try to get some information. Our information at this stage is that it is total cover.

Mr FOLEY: Does the Treasurer have any indication of the quantity of likely exposure here in South Australia?

The Hon. R.I. LUCAS: Some very early work has been done and we have asked for further work to be done to try to quantify it. Obviously, we are mindful that, if in the end we have to be part of some sort of national package, we want as good an estimate as we can get on what the exposure might be. At this stage I am not confident enough to share publicly the early work that has been done, but it is at a modest level compared to that of other states, should we have to be involved in some sort of scheme.

Mr FOLEY: As the Treasurer (or his officers) no doubt has, I have had discussions in recent times with one insurance company in particular in this area of insurance. It seems to me that, given the collapse of HIH and the wider question about writing business in the home warranty area, only one or two players are left in the marketplace who are, I understand, significantly increasing premiums. Does the Treasurer have any concerns that a by-product of this may well be that the private insurance sector will not be sufficiently catering for the writing of appropriate insurance in this area? The feeling that I was left with by this company is that this company itself may even reconsider whether or not it is an area of business it wants to be involved in, and that there is a looming problem for governments down the track being forced into some form of involvement.

The Hon. R.I. LUCAS: My understanding is that there are two prominent companies still writing business in this area. In my recent discussion with the bigger of the two, they said that industry rumours were that one other insurer might be looking at entering the field; maybe two, but they thought it more likely to be one insurer that was actively contemplating moving into the field. I cannot offer anything more than industry gossip and discussion. I have no informed or independent assessment other than information passed on to me by one of the players, and their assessment was that it was a difficult market.

The industry view was that, clearly, one of the reasons why HIH got into problems was that their level of premium income was not meeting the liabilities they were incurring and, whilst there was concern about the level of price increase that other companies were charging, these companies were actively convincing governments and government officers that their level of increases had been factored in and taken at board level prior to the HIH collapse in February or March this year; that they had realised that the level of premium for this business had to increase relatively significantly to ensure that they had a viable book.

Mr Hill advises me—and it is worth placing on the record—that, as with all insurance and all business, if the level of price you are paying (that is, the premium income) goes up, you may well attract another player into the market because the hard yards might have been done and the level of premium may well justify a big operator coming in and starting to write business in this area. At the previous levels of competition, if someone is undercutting the market and steadily going broke in doing so, they will take a lot of business. Those who believe that premiums had to be higher will obviously not attract the business in that sort of market. Whilst obviously other issues are at play in relation to this corporate collapse, that was one of the significant issues.

Mr WILLIAMS: Does the Motor Accident Commission onsell any of its risk? Is that possible under the legislation?

The Hon. R.I. LUCAS: It reinsures very significantly, yes. I am advised that all insurance companies should. We cannot speak for them all, obviously, but the MAC does.

Mr WILLIAMS: I refer to Budget Paper 3, page 8.13, and to the paragraph about quarter of the way down the page that states that, during the three years from July 1995 to June 1998 the solvency of the CTP fund increased from approximately 8.2 to 11.8 per cent but fell to 5.6 per cent in 1999, principally as a result of actuarial adjustment incorporating the impact of the new tax system on the outstanding claims cost. Can the Treasurer expand on that statement and explain the impact of the new tax system on the solvency status of the CTP fund?

The Hon. R.I. LUCAS: Because of the income tax cuts that came into operation on 1 July last year, there was a higher liability because after-tax claims costs went up. Clearly, it was a good decision for the commonwealth to cut income tax, but it meant that, in terms of compensating people who had to have their income compensated, the claims that the fund had to carry were bigger, because people were going to have more money in their pocket if they were workers.

If your income is being compensated, you have to have bigger compensation so, suddenly, with a stroke of a national tax reform package, there were increased costs for the fund. There were both pluses and minuses in the package for the MAC, but that is the issue referred to there. That obviously had some impact on its solvency. In terms of where we are heading now, at a bit of a tangent to this debate, it was part of the discussion we had earlier about the ongoing future of MAC. The APRA target as a minimum solvency level for a private sector insurance company is 15 per cent. I think the numbers we are talking are of the order of 8 and 9 per cent so, in terms of a private sector company, you are aiming at 15 per cent and some of the private sector companies have 25 and 30 per cent solvency rates. This is a government run scheme, so we are not aiming for the private sector level solvency rates, but clearly the third party premiums committee has been recommending that the premiums go up to try to get closer to that 15 per cent.

In the light of this legislation and the changes I highlighted earlier, in our own operations we are looking at potential changes in what a sensible target solvency level might be, which would be lower than 15 per cent. We are currently looking at what that level of solvency might be, but obviously it would be closer to where we are now. Obviously, to our best extent, the better the performance of the board and management, the less pressure there will be on both the premiums and solvency. They are all interlinked in some way, and clearly the board's potential success or otherwise is largely dependent on some national and international factors in how the investment climate is operating.

Mr WILLIAMS: I will ask a supplementary question if I may. In the new tax package there was no complementary compensation for that effect on the solvency rate?

The Hon. R.I. LUCAS: The simple answer to that is no.

Mr WILLIAMS: I expected that. Further down on the same page, the budget paper refers to the rate of return on investments remaining relatively stable at 8.4 per cent in 1995 and 8.9 per cent in 2000, despite the long-term interest rates falling from approximately 9 per cent to 5 per cent over that period. What sort of investment portfolio must the MAC have

to maintain that rate of return on investment while interest rates have come back?

The Hon. R.I. LUCAS: It extends across the traditional assets that a company such as MAC would invest in: Australian equities, international equities, listed property, direct property, indexed bonds, fixed interest and cash. Fixed interest is the biggest one, which is 63.6 per cent, and the next biggest one is Australian equities, at 15 per cent. Fixed interest is very high. We have finished with Funds SA, but if you look at the Funds SA book you will see that it is obviously completely different. Again, it is different sort of business; it is 'long tail' insurance in terms of someone at age 20 getting injured and we are paying compensation for 40 or 50 years, or longer if they live longer. There is a different shape and nature of liabilities, so the asset allocation to match that will be different between MAC and, say, Funds SA. Certainly, fixed interest is overwhelmingly the highest. The next highest was Australian equities at 15 per cent. I have recently approved some slight changes in the asset allocation, so there are slight increases in Australian and international equities from 15 per cent and 4.2 per cent and a reduction in fixed interest, as you would expect.

Mr WILLIAMS: Obviously, the non-fixed interest investments have been performing very well over the past few years.

The Hon. R.I. LUCAS: The board would agree that it felt it could slightly reduce fixed interest and venture a little more into equities, and that would be based significantly on recent performance but, more importantly (there is not much use in looking at the past), on their discussions with managers about where it might be heading in the future.

Membership:

Mr Koutsantonis substituted for Mrs Geraghty.

Additional Departmental Advisers:

Mr Robert Chappell, Director, Gaming Supervisory Authority.

Mr Bill Pryor, Liquor Licensing Commissioner.

Mr Mike Walker, Commissioner of State Taxation, Department of Treasury and Finance.

Mr David Reynolds, Manager, Revenue and Gaming Policy, Department of Treasury and Finance.

The ACTING CHAIRMAN: Does the member for Hart wish to make any opening statements on gaming?

Mr FOLEY: The Treasurer and I are probably the only two who are on the same wavelength on gaming; I think we have been deserted by our colleagues on either side regarding gaming. It must be something to do with the fact that the Treasurer is No. 1 on his ticket and my margin is such that I am not quite as concerned about pokies as a political issue.

With the cap in place, is the Treasurer able to offer some comment? Clearly, revenue is still growing in the budget forecast, but what advice can he give this committee as to the length of this cap and when it would start to cause problems both from the point of view of revenue and also the proper operation of a market? If this freeze stays on for three, four or five years, issues such as the trading of licences will come on the agenda. This cap has serious ramifications right across the board, as far as I see, and I wonder whether the Treasurer might be able to share some of his wisdom on this issue.

The Hon. R.I. LUCAS: As the member implied, this was an issue of conscience for members. Whilst in different houses, the member for Hart and I found ourselves on the

same side of the argument on this issue, and not necessarily on the same side as our leaders or a number of our other colleagues. Nevertheless, I will take up the invitation from the honourable member, given that perspective.

Certainly, I know from the debate in the Legislative Council that a number of members publicly expressed the view that they saw concerns with an extended cap, although we already had the one year cap and now it has been extended for another two years—it depends on how long an extension we are talking about. Certainly, those members indicated that transferability, new developments and so on are the sorts of issues that might be able to be swept under the carpet for a shorter period of time, but eventually someone has to address them. At least some of those members indicated that they were prepared to support a short-term cap for the next two years but were not prepared to indicate that in two years they would continue their support for a cap. Ultimately that will depend on whether those members are still there and what will be the flavour of the new members who are elected after next March in both the House of Assembly and the Legislative Council.

In relation to the potential impacts, clearly, there will be some impact not just on the freeze but also on the other issues that are already in the bill that was passed and those that will be canvassed by the Independent Gambling Authority when it is proclaimed. I do not think it is called that yet; it is still the GSA. To be frank, with nothing other than the best guess possible, we have factored in some reduction in the forward estimates for the current level of growth of poker machine revenue, in particular, but again, whether or not that is adequate or accurate will depend on, ultimately, some of the decisions the new independent authority brings down. Issues such as speed of playing and those sorts of things, even the advertising codes of conduct, all those issues may or may not have impacts on the flow of revenue into the state from poker machines. I do not think anyone is in a position to be able to say, 'It will be exactly this level.'

We have factored in a modest reduction but not knowing ultimately whether or not that will be accurate. We might get a feel for it at the end of this financial year, 2001-02. If the independent authority takes six or nine months to consider issues and then to recommend changes and parliament does it, they might not come in until 2002-03, so we might not see until 2003-04 what sort of traction there is in the community in terms of any possible reduction on the use of poker machines and gambling. Of course, by then—which comes to the import of the member's question—members will be wrestling with whether or not they will extend the sunset clause for the freeze.

Allied with all that, currently about 1 100 machines have been approved; 800 have been approved but have not yet been installed and 300 have met the guidelines in terms of applications but are still being considered—so another 1 100 machines are coming through. It is anyone's guess where it might head in terms of the impact of any additional revenue, because at the same time you have got the changes that are in the current bill and then any changes that the independent gambling authority implements. Then you have the other complication of the supposed internet gambling ban that the federal government is endeavouring to implement. Again, we do not know the impact, if any, that that ever moving piece of legislation might have on the total revenues for the state.

Mr FOLEY: There was a good article in the *Financial Review* yesterday about that piece of legislation and what it

will do when it is finally passed in the House. If you have not read it, I recommend it to you.

What is your view on the issue of the trading of licences? What is your advice as to what would happen if governments of the day were forced into a position where they had to allow a tradeable licence to try to deal with the cap in terms of moving machines around? I personally am horrified at the thought of creating a value on those licences but clearly the hotels will push strongly for it. Have you had any advice on what would be likely to happen if we were to head down that road?

The Hon. R.I. LUCAS: I can only agree it would be an extraordinarily complicated procedure. Even if you wanted to do it, it would be complicated. Clearly, the committee that looked at this from the industry point of view and welfare groups, together with the member for Bragg and the Hon. Angus Redford, put this into the basket of issues that would be considered further down the track. Clearly, some are strongly pushing the view (as you know) on transferability. I guess some of the rest of us come from the position that in the end we do not support a cap; therefore, if you do not support a cap, and ultimately if that is the position, you do not have to worry too much about these sorts of issues.

Over the coming two years, whoever is in government has to work through some of these issues with the independent authority. The complexity which the member for Hart has indicated will become more evident to more people and that may or may not concentrate people's minds when we come to the vote in two years' time about whether or not we have a cap. I cannot give a government position because there is no government position on it yet, other than that we were referring these issues and others to the independent authority. We will await its considered view on it and, ultimately, the parliament or a government will have to consider what it wants to do.

Mr FOLEY: Did the new Pier Hotel at Glenelg, which is part of the Holdfast Shores development of Baulderstone Hornibrook-Kinsmen-Urban Construction, get approval prior to the cap?

The Hon. R.I. LUCAS: I think the wisest course is to take this question on notice. I have spoken to Mr Pryor; there are some issues in relation to the matter raised by the member for Hart, and I think it would be wise for me to be quite precise in what I say in the House. I will undertake to take that wise counsel, including legal advice if I need to, and provide an answer to the member for Hart within the designated period.

Mr FOLEY: On the matter of the designated period, I received an answer about three weeks ago from you in relation to last year's estimates. I assume you mean the nine day or nine week period that normally applies.

The Hon. R.I. LUCAS: It was a good answer.

Mr FOLEY: It was out of date, unfortunately, so I could not use it.

Mr MEIER: Referring to Budget Paper 3, page 5.10, what is the actual return to player percentage of gaming machines in South Australia; hand in glove with that, can the Treasurer also indicate what percentage return equivalent occurs for people who buy lottery tickets? I have often wondered whether it is a better risk to buy a lottery ticket rather than to play a gaming machine. Does the minister have the second lot of figures available, as well as the first?

The Hon. R.I. LUCAS: In the legislation we just passed, for existing machines the return to player is 85 per cent and for new machines it is 87.5 per cent minimum rate of return.

I am told the actual state average is currently about 88.3 per cent. I think some in the casino are up to 98 per cent, but it may be in a range of up to 93 or 94 per cent and down as low as 85 or 86 per cent. The average is about 88.3 per cent.

Obviously, we do not represent the Lotteries Commission here but Mr Hill's recollection is that the return to player statutory requirement is 60 per cent. I am told that is a reasonable comparison to this, so you are actually getting back more money. I am told that X-Lotto is 60 per cent. People might take this the wrong way, but, obviously, the return to the player from poker machines is higher than from the X-Lotto ticket at the local newsagency. I do not know whether the member for Goyder would want to advertise that to his constituents.

Mr MEIER: I have had an amazing record of total loss with both of them so it does not make much difference.

The Hon. R.I. LUCAS: On X-Lotto or poker machines?

Mr MEIER: I have not bought a lottery ticket for quite some years, but it never did any good, anyway.

The ACTING CHAIRMAN: We will now deal with electricity reform until the dinner break at 6 p.m. Does the member for Hart have any comments to make before questions?

Mr FOLEY: I just said prior to your arrival, Treasurer, that I am getting sick of talking about electricity, as I suspect you are. But for our sins we are destined to talk about it for an hour or two. First, in relation to the contestable date of 1 January 2003 for households, the government had committed to 2003 but, as you would be aware, on his return from COAG the other day, the Premier indicated that he was not prepared to recommit South Australia to 1 January 2003. I assume that you stand by that statement and, if so, can you explain this policy shift?

The Hon. R.I. LUCAS: Treasurers always stand loyally behind their leaders, wherever they go.

Mr Koutsantonis interjecting:

The Hon. R.I. LUCAS: Absolutely; wherever my leader takes me I follow, sort of blindfolded and loyally. In relation to full retail contestability (FRC), I noted the Premier's comments in response to questioning on Tuesday, I think it was, of this week where he indicated that there had not been a change of policy other than that he was looking at a range of options. That was one of the options that he clearly flagged I think in a press statement he issued, together with the interviews that he conducted on his return from COAG.

Together with the rest of government, I will explore whatever options the Premier decides we need to follow. We will explore those issues over the period that we have to. I think the Premier, in his answers (or somewhere else), indicated there are a number of factors that the government would want to take into consideration. That obviously relates to an impact on 1 January next year when Victoria and New South Wales go into full retail contestability on the household market. I think he also indicated that he would want to take into consideration the impact of additional generating capacity, which I am sure we will discuss over the next couple of hours, to come on-stream, we hope, by Christmas this year; and also what impact any additional interconnection and capacity might have in both South Australia and Victoria pre the following summer. There are obviously other issues that one would need to take into consideration if one was to take up the option of changing position on the time and the date of full retail contestability.

Mr FOLEY: That answer is very loyal to your Premier. He was a little more specific about it and simply said that he would not recommit which, I would have thought in anyone's language, means that he is seriously considering a shift in the date. What are the implications, hypothetically, if the Premier succeeds and decides to push that date back? Have you had legal advice as to whether the state has any issue of sovereign risk in terms of people purchasing assets?

The Hon. R.I. LUCAS: I am not the best person to get into hypotheticals—it is not my favourite pastime—but I am happy to try to make informed judgments where we have enough evidence to make those informed judgments. It is difficult to try to predict two years ahead in this national electricity market. You only have to go back two years to look at the projections and predictions that were made by many people in terms of what would be happening this year to know that this market is an immature market and is changing rapidly. In the space of two years lots of things can happen. I think that is why the Premier, in estimates on Tuesday, was understandably cautious in terms of the use of words that he placed on the public record.

As I said, the government, whilst loyally following the Premier wherever he chooses to lead us, has obviously worked actively since COAG in terms of exploring the various options, and in and amongst that we have taken some initial legal advice from, obviously, our own officers within the Department of Treasury and Finance, and others with whom we would consult. So, we have taken advice from a number of areas. Obviously, if we were to move seriously down one particular option or path—and there are a number of options that clearly a government might choose to go down—once we have determined a particular option, final concluded legal advice and other advice would need to be taken before we could sign off on a particular policy option. We are working through that process at this stage and I am not in a position to indicate the initial advice that Crown Law has given us.

Mr FOLEY: The NEM ministers, from what you said yesterday, are meeting next week. What is the agenda for next week's meeting? Are you able to advise the committee what issues will be discussed among NEM ministers next week?

The Hon. R.I. LUCAS: It is a very long list. I will work through the major issues from memory but, clearly, as it is a new forum, establishing the guidelines and the operations of the forum will be one issue. Some of the key issues for NEM ministers will involve matters such as interconnection. There appears to be—at least on the surface—a coming together of most jurisdictions in terms of wanting to support greater interconnection. When we come down to particular projects, of course, there might be slightly different views between jurisdictions in terms of how that might be achieved, but I think that the common ground about the existing national electricity market (NEM) processes, in terms of making a decision—whether it is yes or no, frankly—in relation to interconnection is that the process has to be improved.

As the member for Hart will know—although I did not speak at extended length on it, we can further explore it today—in relation to SNI (one of the two Riverland interconnectors that we have discussed occasionally over the last few years), although some criticism can be directed at the NEM processes, I think, equally, some criticism can be directed at the proponents (TransGrid, which is the New South Wales government electricity company) in terms of its willingness or preparedness to get on with working its way through the NEM processes. So, I do not think it is all as

simple as one particular area of responsibility for delays in the final decision: I think it can be a shared responsibility.

That, clearly, in terms of NEM processes, is common ground. Interconnectors generally, rebidding and the rebidding practices of some generators, and the decision in relation to VOLL are issues that are on the agenda. There are a number of issues that relate to various reviews that NEMMCO and NECA have engaged in for a period. NEM ministers want to encourage particular deadlines to be met in terms of concluding those reviews, and a number of jurisdictions are very passionate about one or two of the reviews being finally determined one way or another—again, in terms of what action, if any, either NEMMCO or NECA might take in relation to those reviews.

There are a number of other issues. When I saw a draft of the agenda—it had not been concluded—on Tuesday this week, it was almost a page long. There were still some discussions at office level going on between the jurisdictions to try to finalise an agenda, but they are some of the issues that will be taken up at the NEM ministers meeting.

There is also the issue of a new National Ministerial Council on Energy, which COAG has agreed on, and I imagine that the interrelationship between the NEM ministers forum and the new National Ministerial Council on Energy (which takes in gas and a variety of other issues, obviously, in accordance with the name) also will be an issue that I think the NEM ministers forum will have to work through. So, in some jurisdictions, the NEM minister in charge of electricity might also be the energy minister but in some jurisdictions—a good number of them—the NEM minister might not be the Ministerial Council on Energy minister. That is not uncommon with a lot of ministerial councils, but that sort of interrelationship will have to be worked through in terms of how the ministerial council will operate and how the NEM ministers' forum will operate, because the ministerial council is the one that is providing oversight for the independent review, which is obviously another of the other issues.

Mr Foley interjecting:

The Hon. R.I. LUCAS: No, the National Ministerial Council on Energy will be the oversight body for the independent review of NEM, and general energy issues. The independent review, evidently, is still being worked through in terms of who will be on the panel—it is a panel of three—and the precise terms of reference. There is a clear push from the commonwealth government, in particular, that it will not just look at the electricity market: it will also look at broader issues—and, obviously, the interrelationship between gas and electricity is a critical issue for all of us. We have debated the issues of gas and electricity in South Australia and we know that more competition in the gas industry in South Australia is a critical underpinning of further competition in electricity for us in South Australia, and the commonwealth government has the same view at the national level in terms of the gas market and its interrelationship with the electricity market.

Clearly, some of the major utilities that are operating now are developing into multi-utilities, and companies are operating in both the gas market and the electricity market with trade-offs in common servicing and a range of things like that. So, clearly, the commonwealth government is taking a very strong view—as many others have—that the gas industry market and the electricity industry market will come closer together. That is why the ministerial council is being formed, and the independent panel will be looking at that range of issues in gas and electricity.

Mr FOLEY: I would like to ask a supplementary question if I may. The thought of the future of our electricity industry in the hands of Wayne Matthew has me a little worried but I am sure that you will be sufficiently involved in the process. Far be it from the opposition benches in South Australia to have a view on these things, but I assume that the review was reporting to NEM ministers. The issue that does concern me is that ministers of state governments have never needed much of a reason to get together but, for some reason, on electricity it has been all too hard. Importantly, is there a role for the Commonwealth, given that this was policy driven by the Commonwealth, as you often remind us? Is a federal minister, such as Senator Minchin, part of the NEM ministers' council?

The Hon. R.I. LUCAS: He will be attending, together with the Tasmanian minister but they will not be attending formally, as ministers. The Tasmanian minister, who I think is David Crean, will be attending as well but that is as a prelude to Tasmania's becoming a formal member of the National Electricity Market. David Crean, if he is the continuing representative for the Tasmanian government, will become a full voting member of the NEM ministers' forum. I am advised that the commonwealth government will be attending, as it should, but it is not formally part of the NEM ministers' forum.

Mr FOLEY: Will the Treasurer have a role in chairing the forum? Surely, there is a whole need for the commonwealth to take at least some degree of interest in what is happening? I would have thought that, notwithstanding our own differences and everything—getting the states to agree at any given time is a miracle—a more significant federal role would have been appropriate, but that is just a personal view.

The Hon. R.I. LUCAS: It is encouraging that the commonwealth government, through Senator Minchin, is taking an active role in terms of the NEM ministers' forum. We will have to see how that evolves. However, the commonwealth is not formally part of the national market as a jurisdiction so there is that restriction; it is under the jurisdiction of the states and territories, which formed the national electricity market. So, from that viewpoint, there is a legal restriction on the commonwealth. From South Australia's viewpoint—and I understand that it is the same with the other states—we have a similar view to your own, that is, that it is important in something as critical to Australia's future as the national electricity market, which will ultimately control everything other than Western Australia and the Northern Territory in terms of electricity, that the federal government and its lead minister should take a prominent role. I suspect that it will become more and more active as the process evolves.

Mr FOLEY: On NEMMCO, and the Treasurer and I have debated to death the issue of SNI, I have had a discussion (and obviously, one has to be careful what one says about private discussions)—and I suspect that MurrayLink and others also have their war stories in terms of dealing with NEMMCO—concerning the frustrating process of getting various approvals, whatever those approvals may be, even for an unregulated interconnector. Anecdotally, it would appear to me that NEMMCO is causing some difficulties. I do not want to be too unfair to it because there might be quite legitimate barriers put in place for some projects.

However, if we are going to take this market from an immature market and try to get some maturity and some development into this market, we are going to have to have

some mechanisms to move things reasonably quickly. Even if the answer is no, the answer should be given fairly quickly. Putting aside the politics of what we have debated about Riverlink, I am concerned to hear a couple of other reports from unregulated, or private investor interconnectors, who have themselves had some problems. Does the Treasurer have this concern? Is this something that NEM ministers are also concerned about? I think that it is time to do something about NEMMCO. I am saying not that it should be radically altered but that it should have some form of political oversight, because at the end of the day NEMMCO is a body of the states. It needs to act more efficiently and help to move the market reasonably quickly into a more mature state.

The Hon. R.I. LUCAS: I think that NEMMCO itself, its board and its management would acknowledge that the task of getting a national electricity market up and going was an extraordinarily complicated one. As the member for Hart will know, there were all sorts of dire warnings that the whole thing would blow up in a metaphorical sense very early on. It was a very complicated task to get it up and going, and it is to the credit of NEMMCO, its board and its management that we made the transfer from the old arrangements in December 1998 to the new ones. NEMMCO itself would acknowledge that some of its processes need improvement. Certainly, from the South Australian government's viewpoint—and I think it is shared by all the other jurisdictions; they too, would agree to varying levels as to where they would point the finger—there needs to be improvement in the NEM processes. There are two issues there. The NEMMCO board would argue strongly and passionately that it is there and it was given original riding instructions: there was not a NEM ministers' forum or any other body that substituted for it; and it believes it has assiduously set about its task in terms of the original instructions.

The jurisdictional liaison group (JLG), which was made up of representatives of each of the states and territories or the jurisdictions, endeavoured to make sure that each of the governments through their senior officers maintained as active an involvement as possible in terms of where things were heading and for consultation, as well. The common ground of all the jurisdictions is that the processes within which NEMMCO, NECA and the ACCC and others have operated have to be quickly reviewed and changed where required. It might be that in that situation NEMMCO might have to change some of its own actions as well: I do not think there is any disagreement with that. I am someone who has seen the matter from both sides of the fence, and it is always easy to point the finger at the central coordinating body or agency. It happens in political parties where branches blame the central office all the time, and central offices in the state blame the federal secretariat all the time.

Mr FOLEY: And everyone blames the Treasurer!

The Hon. R.I. LUCAS: That could well be the case in terms of the political arm of the organisations, as well. To be fair to NEMMCO, jurisdictions have to more quickly resolve a number of issues regarding the processes of the national market. This whole recent discussion and debate at COAG and elsewhere has productively now plotted a course for some of these changes to occur. Then, if there are still these criticisms of NEMMCO in a hopefully reviewed and refined process and environment—if there are still these criticisms of either NEMMCO or its individual managers and others—clearly the common theme and the criticism will have been the way NEMMCO operates. I accept that there can be criticism of all involved in the process. NEMMCO has to

accept some of the criticism and responsibility. However, equally, to be fair, jurisdictions have to accept responsibility for a number of other whole of nation or whole of market issues in terms of the NEM processes.

All these issues are already being discussed, and in my discussions with NEMMCO and with NECA they have been more than prepared to engage in that debate and discussion. There might have been some initial reluctance, and that has been commented on. However, there is now acknowledgment from the national bodies that clearly some of the original objectives of the market that were obviously shared by everyone involved in establishing the market are not being achieved, and we need to look seriously at what has to be changed to try to get closer to those original objectives.

Mr FOLEY: Have there been similar thoughts about NECA and its evolving role in all this?

The Hon. R.I. LUCAS: The answer is yes. A number of papers have been written recently about the possible overlap between NECA and the ACCC. A number of commentators have been making suggestions as to where the division of responsibility with the ACCC, NECA and ultimately NEMMCO ought to be. There has been some debate that that needs to be refined. Clearly, there has been discussion and debate about that. In one area, NECA and the ACCC issued a paper about network pricing, and I have not seen it yet—although I did see a press release. In part, that was looking at who would have powers in particular areas. So a lot of discussion is going on in relation to that, as well.

In relation to the criticisms that have been made of NEMMCO, I highlight that, whilst NEMMCO has to accept some responsibility in terms of the processes of the SNI project, any fair examination in retrospect of the SNI project will have to conclude that some of the delays have been caused by the proponent. Ultimately, it was unsuccessful with its first bid for regulated asset status in June 1998. We will then see the regulatory test in terms of the original test against which SNI was judged in 1998, involving the custom benefit test. There was, therefore, that review. That was in June 1998. It was not until late October 1998 that TransGrid then wrote to NEMMCO proposing SANI and requesting NEMMCO and the IRPC to review the technical and economic effects of the proposed works. On 3 August 1999, TransGrid then requested that the IRPC suspend the evaluation process. Through the early part of 1999 we did not know what was going on with SNI—or Riverlink as it was then known. It had gone very cold on it; there were no discussions.

Then in August 1999, TransGrid formally requested that NEMMCO or the IRPC, which was part of that stable, suspend the evaluation process. It was then another seven months, March 2000, before TransGrid then requested that NEMMCO and the IRPC recommence evaluation of the interconnector. First, there was a four month gap; then there was another seven month gap when it formally requested suspension of the consideration. So it was activated again in March. It was not until November of last year, which is again another six months, that it completed its economic evaluation. Some of us had the view that if it was seriously pushing this forward in the shortest possible time frame, when it reactivated the evaluation process in March 2000 either it would have been ready then with its economic evaluation or very soon after that it would have been ready with its economic evaluation. As I said, that was delayed until November 2000. Basically, as I highlighted I think in a press conference after the conference yesterday, its own consultant, IES, said that,

if Murraylink was a committed project, it was likely that SNI would fail the regulatory test.

Again in February of this year, they then significantly revised the scope of works for SNI to include additional works in the Snowy-Victoria region. In terms of evaluation, what occurred in February was a further change of the scope of works which originally had been put up, put on suspension, came back in again, and then it was changed again in February of this year. In the discussions I have had with NEMMCO—and, as I said, it has to accept part of the criticism; I am not absolving it completely—it is saying in its defence that if it relied on the only economic evaluation of this project, which was the one the proponents put, given that the Murraylink people are saying and have demonstrated to NEMMCO that they have a bill of lading (which they have shown NEMMCO), that the cables are on a boat on the way over here to be laid, they have started the concrete pours and all those other sorts of things, obviously they are convincing NEMMCO that they are dead serious about their recently revised date of April next year.

The only economic evaluation up until the recent work that has been done by the IRPC (which is the doing the economic evaluation), says, 'If Murraylink is there, then this one will not pass the benefit test.' Our latest estimate is that the final decision (we hope) will come out of the IRPC NEMMCO stable around about August, but obviously we are not in a position to be able to give the member anything other than what we are being told in relation to the time frame.

Mr FOLEY: The question I have and perhaps the Under Treasurer might be able to help the Treasurer is: at the time of the national market, my recollection—and I think I am right—is that the then Prime Minister, Paul Keating (and one of the principles of the national market was an acknowledgment that it needed to be properly interconnected) put \$100 million on the table to assist states in interconnection. Is the Treasurer aware of that or has there been any discussion about any commonwealth money? I am certain that, in the mid 1990s, Keating put some money on the table, or indicated that the commonwealth was proposed to put some money up.

The Hon. R.I. LUCAS: As I have highlighted, as the senior adviser to Premier Lynn Arnold when it was signed off in June 1993, the member might be aware of something of which we were not. I am certainly not aware of anything that Prime Minister Keating offered in terms of that. Maybe there were discussions at the time. The member might have greater knowledge of that, but—

Mr FOLEY: Very fuzzy now, but I have a recollection that there was some discussion about the commonwealth putting some money up to encourage states to—

The Hon. R.I. LUCAS: We can double check, but I have checked with officers here and—

The Hon. M.K. Brindal interjecting:

Mr FOLEY: Now, Mark, we are having a good discussion here; nick off if you are going to be provocative.

The Hon. R.I. LUCAS: As I said, I have no recollection. I do not know whether we can trawl the files, but we will check the memory banks of those who were actively involved in 1993 and 1994. When did Keating leave?

Mr FOLEY: It might help you in your discussions with John Howard, not that I think the commonwealth would honour any commitment that Keating may have made. However, I just had a recollection that there was—

The Hon. R.I. LUCAS: When did Keating leave?

Mr FOLEY: In 1996.

The Hon. R.I. LUCAS: We can certainly check the record.

Mr FOLEY: My recollection is that there was an acknowledgment that there had to be further interconnection between the states, and one way to do it might have been for the commonwealth to put up some capital to try to encourage the states to do it. That is my recollection, and a figure of \$100 million is in my mind, but I may be way off beam and totally out of line.

I now refer to the issue of the peaking plants. In relation to the expected peaking plants for this summer, we have—

The Hon. M.K. Brindal interjecting:

Mr FOLEY: I was campaigning in your electorate last night, Mark, too.

The Hon. M.K. Brindal interjecting:

Mr FOLEY: I was in the Leicester Hotel. Anyway, in relation to the peaking plants, we have National Power, AGL and Origin. Can the Treasurer confirm the size of those peaking plants and the expected dates when each of those plants will be providing us with peaking power?

The Hon. R.I. LUCAS: At this stage, obviously in relation to those peaking plants, and indeed some others, we are significantly reliant on the estimates of the individual companies concerned, and I will work through them. Not only has AGL announced 150 megawatts in Victoria (which, as I said yesterday at the conference, is critical to us because we are a combined market of South Australia) but also it has announced its intention for 250 megawatts of peaking plant capacity over the next year or so in time for both this summer and next summer. It is aiming for 100 megawatts for this summer and the remaining 150 megawatts for the following summer. Its location is Hallett.

The state government is actively assisting with planning and development, fast-tracking, and recently, in terms of some issues in relation to emissions in country areas, the government has worked very actively with AGL to try to get it over any hurdles that it might have in terms of trying to get its 100 megawatts of capacity out at Hallett as quickly as possible. Some of the issues through which we have had to work have been the number of alternative sites. Originally it was looking in the metropolitan area. It eventually took the advice that we thought it was much more likely that we could fast-track and get things going at Hallett as opposed—

Mr Foley interjecting:

The Hon. R.I. LUCAS: We could not offer it that because that is under the control of another company. I was desperately looking for something in the electorate of Hart, but I could not find it. It took the advice that, whilst it was a preference for it to be in the metropolitan area, if we wanted to get this peaking plant to the market in time for this summer, we had a much greater chance of achieving that if we went to a more isolated country location, and Hallett was a good location. Hallett has a number of significant advantages, including the gas and transmission lines and the plant's being about 1½ to 2 kilometres from the nearest farmer or something. All the evidence that we have from AGL is that it is full bore. It is in its company's interest to have it and it is also in the state's interest that we have it before summer. The second one is Origin Energy and—

Mr Foley interjecting:

The Hon. R.I. LUCAS: And I am sure you welcome it, member for Hart. It is still 140 megawatts: 100 megawatts at Torrens Island Quarantine Station and 40 megawatts at Ladbroke Grove in the South-East.

Mr Foley interjecting:

The Hon. R.I. LUCAS: We ought to clarify that, because I know that when I have spoken publicly I have always talked about 80 megawatts at Ladbroke Grove. I am told that for part of the last summer it had problems with one of the 40 megawatt units, so it was not included in some of the calculations. Its second 40 megawatt unit at Ladbroke Grove will be on board and operational, whereas evidently for a good chunk of last summer the second unit was not. So, it is 100 megawatts of new inner city and ensuring that the 40 megawatts with which it had problems last summer is operational.

The third one is Australian National Power. Its public statements so far have been around about 105 megawatts: 40 megawatts at Mintaro, 25 megawatts at Snuggery, and potentially 40 megawatts somewhere else. It has even looked at another city location, or the alternative was at Mintaro in the Mid North. The fourth company (which I indicated yesterday and which has not outed itself yet) has advised us—and a different company from one of the existing power generators—that it is looking at a small peaking plant in South Australia to be installed before Christmas. We again have offered it fast-tracking assistance should it continue with it.

As I said to the conference yesterday, there are three that we know publicly and one that has not publicly announced itself. No-one can guarantee that all four of those will be delivered. If they were, you would be looking at potentially 400 to 500 megawatts of capacity. I indicated yesterday that, as a conservative estimate, 250 or 300 megawatts of capacity might be available in South Australia prior to summer, which is obviously significant. In Victoria, there are the AGL plant and the Edison Mission plant, which is 330 megawatts, so there are 480 megawatts of additional capacity in Victoria, together with a small one at Bairnsdale, I noted in the *Financial Review*.

Mr Foley interjecting:

The Hon. R.I. LUCAS: Forty megawatts, yes. One of the problems we have, as I highlighted yesterday, is that there has been a lack of additional generation in Victoria. Whilst we have added 30 per cent in-state generation in just three years, Victoria has done precious little, which is why we are struggling with power coming across the interconnector in peak periods. We welcome the activity of the government in Victoria with the very small plant at Bairnsdale and, we hope, the other two, AGL and Edison Mission. I know more about the AGL one: they assure me that they are on track with getting theirs up and going.

I know very little about the Edison Mission plant, which is critical, because that is 330 megawatts, but both of those are planned to come on board at various stages through this coming summer. If Victoria can deliver its side of the equation and we deliver 250, then in the combined markets we might see 700 to 800 megawatts of additional capacity. If Victoria does not get all of its up, we might see 400 or 500 megawatts of additional capacity in the combined markets for this coming summer.

Mr FOLEY: On the issue of the gas pipeline and the process with Origin Energy and Australian National Power, that is, primarily with the SAMAG project but also allowing National Power to expand its operation at Pelican Point potentially for a further 800 megawatts, should it so choose, I cannot help but think that it could be problematic if we simply see Pelican Point get larger. Would it not be a better outcome for the state if we had a fourth or new entrant into the state?

The Hon. R.I. LUCAS: The government supports more competition in generation, and clearly, if the government had a choice, equal numbers of competing generators spreading the total load if you are drawing the landscape afresh would be potentially a good way to go. From our viewpoint, in terms of encouraging competition, not only are we talking about additional supply, which is important for us, but we are trying to encourage a spread of generators. As I said yesterday, just three or four years ago we had one monopoly generator in South Australia and we now have NRG, TXU and Australian National Power.

Added to that, if Origin Energy has 80 in the South-East and 100 in Adelaide, it will be up to a couple of hundred megawatts; AGL, with potentially 250 megawatts is a fifth competitor; and, as I said, there is a sixth company looking at a very small plant prior to Christmas. We are doing all we can to spread and encourage further competition. There are others that are not major generators in South Australia that are in the very early stages of having a look at our market. The government is certainly prepared to actively encourage further competition.

The critical issue for a new generator is that, unless a government decides that it wants to be the big new base load competitor (and that is obviously open to any government to decide to do that), if you are asking a private sector group to put their hands into their pockets to put up \$400 million for a 500 megawatt plant, as Australian National Power have done, they look at our electricity load and if, on average, it is 1 600 megawatts and for a few days in the year goes to 2 400 or 2 800 megawatts, or whatever the updated peak number might be, they have to make a decision as to how they get a return on their investment.

As base load generators you have NRG, which has 500 megawatts plus just under 200 at Playford, which is peaking, I suppose; you have Torrens Island, which is base, peaking and intermediate at 1 200 megawatts; you have Pelican Point at 500; and you have Osborne running all the time at just under 200. Then you have your interconnector or interconnectors coming in. If you are a shareholder of a company that says: 'Are we going to invest \$400 million in a major new base load plant?' you have some serious questions to ask. We would be delighted to see a big new one.

We know that in the past some of the big industrial users in the mid north and far north have talked to various people; they commissioned someone to do a study. That might be an opportunity should they proceed with it, but there does not appear to be too much sign of activity there. We know that the SAMAG people are looking at a 250 to 300 megawatt plant, a good chunk of which they would be able to sell back to the market for considerable periods of time. We know that they have had discussions with some of the big industrial users in the north. That is another opportunity, but they have signed a tentative sort of arrangement with Australian National Power as well.

In the ideal world, yes, if we can encourage bigger and independent generators into our market, we will actively do so. We have no desire to encourage only existing people in the market, we are trying to encourage more, and if some of them come into our market and feel comfortable with what they have invested in (albeit that it might only be a couple of hundred megawatts), that sort of company may well be encouraged to look at a bigger punt, in terms of base load capacity, when the next increment is required in South Australia.

Mr FOLEY: Is the Treasurer providing any financial incentive for the gas pipeline proposal?

The Hon. R.I. LUCAS: No. The arrangements with Seagas, as they are calling themselves now, which is SAMAG, Australian National Power and Origin, is that they believe that as a consortium, with or without others (and I know there are some potential discussions) they can build it without a taxpayer funded investment. Our involvement was in the early stages. There was some discussion in the early stages and some willingness from the government to have a look at incentives, if that was the only thing that would deliver an alternative gas pipeline to South Australia.

Our passionate view, driven by me as Treasurer and Treasury, was that we wanted to do this and thought we could do it without having to put taxpayer incentives into it. The groups have come back to us at the moment and said 'Yes, we can,' and we are now providing facilitation assistance. In planning, development, native title, any other sort of assistance that might be required, the government is actively involved. There is a small cost, I presume, in terms of officer time in relation to that, but we are prepared to continue that sort of assistance to try to deliver that project by the end of 2003, which is when we would like to see it.

Mr WILLIAMS: Can the Treasurer tell the committee whether his department has made an assessment of the risk to supply in South Australia, realising that over an interconnector electricity can flow in both directions? If we have a limited generated supply in South Australia and there is a shortage of power interstate—and I understand that this has happened at least once, 12 months ago, when power flowed across the interconnector into Victoria—it means that we have blackouts here in South Australia. Has any assessment been done on the risk involved to the security of power in South Australia by having a greater interconnector capacity?

The Hon. R.I. LUCAS: In our assessments about future generation and future interconnection, that obviously is one of the critical issues we have to consider. The South Australian government has taken the view that there is a group of what I call the 'interconnector groupies' who believe that the sole solution to South Australia's power problems is more and more interconnection—plugging ourselves into other states and relying on them. The South Australian government's view has been that, yes, we support additional interconnection, but in terms of security and other issues we need a significant boost in the in-state generation as well. The two biggest problems we have had over the past two years in terms of load shedding were in relation to the two examples in November and February (which years that occurred escapes me now), when the Victorian power unions pulled the plug on the Victorian interconnector.

The second one was on a November evening when it was not very hot; it was about 8 o'clock and I was at one of my children's school function and ended up having to take about 30 phone calls in about 45 minutes. Without even advising their central union officials, the power unions in the La Trobe Valley pulled the plug with 20 minutes' notice. I am guessing that at that stage we probably needed about 1 500 megawatts of power at 8 o'clock on a November night. At that time we had installed capacity of about 3 000 megawatts. So, we had plenty of power but someone pulled the plug and all of a sudden the lights went out in a number of suburbs on a rotational basis for an hour or so, and we had major media stories and concern from those suburbs and towns that were affected. If people had behaved sensibly and given us advice

on that we could have ensured the cranking up of generators, we would have been operating and we would not have needed load shedding. That is the sort of the example where, if you are reliant solely on interconnection, you are in essence captive to union leaders or problems that might occur in other states.

Inevitably in the national market if you are to have the advantages of being interconnected and trying therefore not to have all of us overbuild, as occurred in a number of states over the past 20 or 30 years, and if that is the advantage in terms of being able to share power around, there will always be this risk that someone will pull the plug on an interconnector, and the state at the end of the line—which inevitably seems to be us—will be the one that suffers. In the risk analysis and assessments that we do, we have to take that into account and, without repeating it, that is why we have been very active in terms of increasing interstate generation. If most of the changes I flagged in response to the member for Hart's earlier question come to fruition, it will mean close to a 40 per cent increase in South Australia's in-state generation in just under 3½ years. Victoria's record is nothing like that. The problems in California were as a result of very little additional capacity being built in that state when demand was going through the roof. That was a long answer, but it is critical in terms of our assessments.

Mr WILLIAMS: My second question to the Treasurer concerns the proposal to build a gas pipeline from the Victorian gas fields into South Australia. Earlier this week I noted with interest that the local television station in the South-East reported that there has been another major gas strike off Port Campbell in the Victorian Otway Basin gas field. It looks as if that could be a major gas finding; in fact, people are saying that the size of the gas find could rival Bass Strait gas field as a supplier to the eastern seaboard. I cannot remember the name of the gas well that was being drilled, but it was just off the coast at Port Campbell. I am aware that not only is the government's preferred construction consortium working away to secure completion of a pipeline but also that at least one other company is still diligently working away hoping to build a pipeline too. The pipeline will come largely through my electorate; the majority of its length will be within my electorate, and that has caused some concerns. It has been suggested to me that the pipeline should sensibly follow the Victorian interconnect power line, be built along the same route and share the same easement. Is that feasible?

The Hon. R.I. LUCAS: We might need to take some advice; we do not have any pipeline experts here. It is suggested that there might be some safety issues concerning both electricity and gas. I am trying to recall the last discussion I had—and you might be in a better position—but I think the current discussions are that they would not follow that route but would follow a different route.

Mr WILLIAMS: I understand that the government's preferred consortium is planning a different route, but it has been suggested to me by at least one other company and some other people in the South-East that it would be sensible to follow the power line.

The Hon. R.I. LUCAS: We will certainly take advice on it. An initial response is that some safety issues might need to be considered, but my recollection is that the preferred consortium is talking about a different route from the existing interconnector. I am not sure whether this impacts on it at all, but some of the proposals for further interconnection will obviously require work on the existing potential route for the interconnector as well. In talking about a gas pipeline on that

same route, you would have to bear in mind that there might be other activity in relation to the existing interconnector. There have been various proposals from ATCO and a number of others about potentially upgrading the size of the Victoria-South Australia interconnector. So far no-one has actively pursued it, but they are options that might come further down the track. We will take advice on that.

The other issue concerning the route has been where it comes across the border. I am not sure whether it is in the member's electorate or that of the member for Gordon but, as you know, some of the significant gas users in the South-East have been lobbying the prospective pipeliners as to what the route might be so that it might wander close by some of the big plants and some potential new industrial plant in the South-East. Again, my understanding on that is that most of the companies are looking at the shortest route possible, and it would appear at this stage that that might not be likely. It might involve laterals having to be built from the main trunk through to some of these big gas users, and I am not sure whether the cost of that makes it feasible. Clearly, from the South-East's development point of view, getting the gas across will be a huge boost, the route will be an issue and then there will be the issue of the cost of the laterals that might have to go into some of the towns, locations or particular industries. We are happy to take further advice on the member's question and bring back a better informed reply.

The only other point I would make is in response to the member's preamble. The preferred consortium is obviously looking at a pipeline. Two other companies are involved—Duke and one other. I am not sure whether the other one has publicly announced itself. I do not think the third company has announced itself, but there is a third, very big international company that certainly I am aware is still saying it is looking at it. Some people in the market are putting a point of view to me that ultimately the preferred consortium might get together with one of the pipeliners and come up with a joint proposal. It has been put to me that if that was to occur we might get a bigger pipe and therefore much more long-term capacity to cater for the future gas needs of the South-East, Adelaide and the state's development. I think that would be a great result if we could deliver a bigger pipe through the preferred consortium getting together with one of the pipeliners, still at no cost to the taxpayer, and the risk being taken by the private sector group or groups if they come together.

Mr FOLEY: I have been advised by one potential company which is looking at building a gas pipeline, namely, Epic, that there is now a significant problem developing (which I assume would apply to the Origin gas pipeline as well) to do with the commonwealth government's view on depreciation allowances for gas infrastructure. Can you comment on exactly what that problem is and, secondly, what impact that may have on the potential for the pipeline actually going ahead?

The Hon. R.I. LUCAS: The simple answer to the question is yes, there is a significant issue for Epic and some other pipeliners. The bottom line is the amount of money they can earn. We can give you a detailed description of the tax provisions and those sorts of things, but the bottom line is that, in terms of a huge investment for companies such as Epic, it is how much money they will make and in what time frame to offset the investment. The bottom line is that the new proposals mean that they would be paying more tax and earning significantly less from their investment. So, from the

shareholders' viewpoint, it raises a question about the timing and viability of the investment.

I am sure that the honourable member has had briefings, as have many other members, from the Timor Sea interests. While the member for MacKillop has highlighted two or three people looking at the Victoria-South Australia option, as the Minister for Minerals and Energy in South Australia (Wayne Matthew) will remind me, there are a number of interests in relation to the Timor Sea gas coming down to South Australia as well. Ultimately, it is a commercial decision.

In my judgment it is inevitable, based on my advice, that we will see Timor Sea gas coming into Australia; and it is probably inevitable that we will see it coming to South Australia ultimately. My personal view is that both a Victorian and a Timor Sea one will arrive at the same time, which is the current publicly announced timetables of both interests, that is, that the end of 2003 and the start of 2004 is commercially highly unlikely. We have so much gas demand in South Australia and, no matter which growth projection we look at for the next three years, it is hard to envisage there being enough for both in the same time frame. A number of people from those companies argue to the contrary. It is their business rather than mine as Treasurer. They certainly argue that they still believe that Timor will go ahead if Victoria gets up first. I think it is a question of timing in terms of what will occur.

Mr FOLEY: I assume that the Australian Taxation Office has made that ruling. Is that correct?

The Hon. R.I. LUCAS: The ATO; and I am told that it came out of the Ralph review.

Mr FOLEY: What is the ability of your government or other governments to have any change in this?

The Hon. R.I. LUCAS: The Under Treasurer is an expert on Ralph committee issues. I do not know whether he would like to offer a perspective on the particular tax. We will take it on notice, but there may be something that the Under Treasurer might like to offer in terms of the particular nature of these tax changes. I will respond after he has indicated what the political options might be.

Mr WRIGHT: As you know, they are moving away from accelerated depreciation and moving back to a situation where assets are written off over their economic life. One of the options for the individual pipeliner is to make a case on the economic life. The number quoted is 50 years. If they can demonstrate that the economic life will not be 50 years, then they can write it off over a shorter period. That was the general mindset which led to that recommendation. As to the likelihood of its being pursued if there is strong resistance from the mining industry, that is more of a political question.

The Hon. R.I. LUCAS: On the political front, the federal government has indicated in a number of areas the capacity to listen to people and change. Whether that definition will extend to the gas or mining lobby in relation to this issue, I am not sure. I have not yet seen a sign of any significant public lobby in relation to this issue. It may be internally significant at the national level. Clearly, those interests that have spoken to the shadow treasurer and to the government are mightily concerned about the particular changes—and I know a number of other groups are as well. I am sure there will be significant pressure placed on the federal government in the lead-up to its campaign at the end of the year as to what impact it might have on infrastructure development that some of us need.

Mr FOLEY: When I say, 'I was briefed by a gas company about this issue,' I must say that in fact some people passed me in the corridor and mentioned something to me in 20 seconds. I did not fully get the significance of it. You are saying that it is the flow-on from Ralph's trading off accelerated depreciation over the economic life. It would be hard to see the federal government giving a special case to the gas industry, given the flow-on effects it would have to other sectors of the economy. I am a little surprised it has taken the gas industry this long to realise there is a problem with it. I would have thought they would realise that when they started putting together their bids or proposals. How serious is this in terms of putting a question mark over Origin Energy's proposal? Are you aware of whether it is rethinking or revisiting its proposal?

The Hon. R.I. LUCAS: Nothing has been provided to me. I am happy to take it on notice to see whether we have had any advice. I take it that the member is talking about the Victorian seagas proposal. It has not been an issue that has been raised with me. I am not saying that it is an issue that is applying to the consortium's mind; whether they are in any different position from the Epic people with Timor, I am not sure.

Mr FOLEY: You are obviously reforming the current Electricity Reform and Sales Unit (ERSU). Can you advise the committee of what will be the replacement body for ERSU?

The Hon. R.I. LUCAS: The new unit within Treasury is now called Microeconomic Reform and Infrastructure. As the name suggests, it will take on a broader role than just electricity. That is the name of the new unit comprising about 13 people in Microeconomic Reform and Infrastructure.

Mr FOLEY: Is it your government's intention to maintain electricity within Treasury?

The Hon. R.I. LUCAS: I said in response to an earlier question that I loyally follow my leader, wherever he takes me.

Mr FOLEY: This was not a leading question; it was not a trick question.

The Hon. R.I. LUCAS: But that is the only answer. As the shadow treasurer well knows, together with me—I think he lost it more quickly than I—

Mr FOLEY: Gaming.

The Hon. R.I. LUCAS:—in relation to gambling, leaders take decisions in relation to portfolio allocations for a variety of reasons. There have been some within the department, including some support from the Labor Party, I understand, who—

Mr FOLEY: Who feared to be sacked at least three times.

The Hon. R.I. LUCAS: Exactly. There is immense pressure on the Premier to remove me from this portfolio and to give it to someone else.

Mr FOLEY: You will not believe me, but that is not what I was meaning by my question. In terms of the bureaucracy, you obviously have a unit in Treasury. Is any consideration being given to having a unit outside Treasury but still under your control?

The Hon. R.I. LUCAS: It would raise an interesting question, I suppose, for a government or an alternative government, ultimately, if the decision were to be that the Treasurer of the day did not have responsibility for the electricity market. On the surface, in a number of other jurisdictions it is the electricity minister. At the conference to be held next week, for Queensland and Tasmania it will be the Treasurer and for Victoria and New South Wales it will

be the energy minister. For the ACT it will be Brendan Smyth—

An honourable member interjecting:

The Hon. R.I. LUCAS: I won't say that. It is Brendan Smyth—I am not too sure what his other portfolio responsibilities are, but it is certainly not Treasury: the leader is Treasurer. It is sort of split—in some cases you have Treasury. The point I am making is that among the NEM ministers there is a mix of pure energy ministers and treasurers who will be attending. I think the issue for various governments, or alternative governments, in my humble view, is that the collective wisdom is that electricity in the public sector infrastructure currently resides in Treasury.

We are delighted to welcome back John Robinson, the new head of micro-economic reform and infrastructure. I am not sure if we can formally describe it as being part of the 'Bring them back home' scheme.

Mr Koutsantonis interjecting:

The Hon. R.I. LUCAS: Even at the end of the day, the member for Peake is as aggressive as ever. I think that is an issue in terms of where they are located. Some governments have removed the units from Treasury responsibility and placed them within the energy minister's portfolio. The way we have structured our electricity capacity, in terms of intellectual capacity and micro-economic reform and infrastructure, means that some people are working on issues other than electricity and might find themselves in other agencies. More particularly, I think Treasury would want to hold on to those officers because of their capacity in other areas and, therefore, the energy minister would have to find new people. Issues such as electricity's location within the public sector bureaucracy would have to be resolved.

Mr FOLEY: How does that relate to the Electricity Industry Planning Council? You now have your task force as well as the unit in Treasury. I note that Mr Morgan is present.

The Hon. R.I. LUCAS: I have noted some of the comments from the Leader of the Opposition and the shadow treasurer on this issue. With due respect, I think you are confusing what could be genuine questions of differences in policy between governments and alternative governments. In this particular area, in my humble judgment, the sorts of things that the opposition is flagging do not make too much sense. The Supply Planning Council is a sort of semi-independent body providing advice to both the independent regulator and me as the NEM minister.

Mr FOLEY: But that was wrong.

The Hon. R.I. LUCAS: I think if you look at some of the appropriation speeches, what was flagged was that there are too many of these bodies and there is a need to amalgamate or collapse some of these bodies.

Mr FOLEY: I do not think that; I think we were just critical of your task force.

The Hon. R.I. LUCAS: Well, the task force is a one-off; it completes its task by 30 June, or whenever, and that will be the end of the task force. Let us put that aside—that is a short-term, one-off task. With respect to ongoing bodies, we have the SEB, the independent regulator, which is clearly independent and will continue; we have the Supply and Planning Council, which is semi-independent in that it provides advice to the independent regulator and to the government—in this case, through me—about the future planning needs for electricity for South Australia. Each state has to have a body like that. If you get rid of the planning council, something else will have to replace it to provide essential long and medium term planning for electricity needs

for the whole state. As part of what we do in the national market, one of the clear deficiencies we identified, looking at what has occurred in some of the other states, was that we needed a body charged with that responsibility to go ahead. So, put those two bodies to the side.

The electricity ombudsman is again separate and independent; it is an industry based scheme and may or may not be extended, as Victoria has done with some other industries bodies as well. In relation to government, what can validly be said is that there is an Office of Energy Policy (OEP) that answers to Minister Matthew, and there is now the micro-economic reform and infrastructure unit within Treasury. They are what I might call the bureaucracy of the public sector and the intellectual capital that we have. In relation to the Office of Energy Policy, it had a role that it has tackled assiduously for a number of years. If it was to be given other roles or responsibilities, such as NEM, it would certainly require significant change in both its structure and personnel, in my humble judgment. It does its job; there is no criticism of OEP or its officers. It has a task to do and that is its task. In relation to the national market, a body of expertise similar to what exists within the micro-economic reform and infrastructure group will be needed.

Mr FOLEY: I do not disagree with that. I do not know what other comments I might have made that I have just contradicted but it would not be the first time and I suspect it will not be the last.

The ACTING CHAIRMAN: If there are no further questions, I declare that examination completed.

Department of Industry and Trade, \$186 295 000
Administered Items for Department of
Industry and Trade, \$2 400 000

Departmental Advisers:

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

Mr J. Hallion, Deputy Chief Executive.

Mr D. Swincer, Executive Director, the Business Centre.

Ms E. Bensted, Director, Corporate Services.

Mr M. Krasowski, Manager, Business and Financial Services.

The ACTING CHAIRMAN: Treasurer, do you wish to make an opening statement?

The Hon. R.I. LUCAS: Absolutely not.

Ms THOMPSON: I refer to Portfolio Statements, Budget Paper 5, volume 1, page 4.8, Infrastructure Development. In the highlights for 2000-01 a number of successes are mentioned—the industrial park at Salisbury, activities related to the Arc of Opportunity and a number of regional development initiatives, particularly the Coorong region, etc. However, there is no mention of anything in the south. Can you give specific strategies for manufacturing industry development in the south and other industry development in the south besides the wine industry? We know how the wine industry development fits into the general package. If you are going to tell me that you will give lots of money for wine industry roads in the south, I will be very pleased, but basically I want to know the government's intentions for supporting industry development in the south.

Mr Koutsantonis interjecting:

The Hon. R.I. LUCAS: The member for Peake is being helpful, as always. Clearly, two of the biggest issues that the government has been wrestling with for the last couple of years are significant industrial developments in the south. The future of Mitsubishi for workers and their families in the south is a critical issue for not only the south but for the whole of the state. I am not going to waste the time of the committee this afternoon by going through all of that, unless the member particularly wants me to go through it. More recently, there has been a public announcement that a decision is still expected towards the end of the year. There is now some debate whether it is August, September or December, but at about that time we should get a decision from the new owners and operators of Mitsubishi. The other big area of interest—which, again, the member for Reynell will be aware of—is the significant assistance that the government is trying to provide to Mobil to try to ensure—

Ms Thompson interjecting:

The Hon. R.I. LUCAS: The government is trying very hard.

Ms THOMPSON: It has taken two years so far.

The Hon. R.I. LUCAS: It has taken me a bit over a year. It has certainly taken the government two to three years: I acknowledge that.

Mr Koutsantonis interjecting:

The ACTING CHAIRMAN: Order!

The Hon. R.I. LUCAS: I think the member for Peake is approaching hyperactivity this late in the afternoon. He needs a coke infusion, or something. He has woken up. In relation to Mobil, the Premier was not the minister with responsibility prior to me: I think Mr Evans had that responsibility. He and I have been trying to reach some sort of accommodation both with the Onkaparinga council and with Mobil. There is significant assistance from the government to try to resolve that issue to ensure that Mobil can continue to be a significant industrial employer in the southern suburbs. I am advised—and, again, the member for Reynell will know—that the southern access BEC is funded to the tune of about \$77 000 and we are about to fund for the next financial year a new BEC at the top end of the southern end, about which I guess you are talking, at Marion-Holdfast Bay.

Ms THOMPSON: I am talking about Morphett Vale and surrounds.

The Hon. R.I. LUCAS: Those of us in the centre of Adelaide talk about the south starting in the deep south and extending through to the top south. But, anyway, we will fund another BEC in relation to that. In discussions that we have had with the Onkaparinga council on Mobil, one of the issues they have raised, as the member for Reynell will know, is whether or not call centre opportunities might be made available in the south. Officers of the Department of Industry and Trade have taken that on board. They have had discussions with the Onkaparinga council and I know that, in the discussions they have with various companies, the willingness of Onkaparinga council to assist in attracting employers such as a call centre operation in the south is noted.

Ultimately—as I have mentioned in correspondence to the mayor and/or chief executive of Onkaparinga council—clearly, the final decisions on location are for the private sector companies. We can encourage them to move to particular locations such as the south, and we are happy to do so, but in the end it is a judgment that the private sector company and its board ultimately makes. There are a number of examples where we have tried to encourage a particular employer to go to one location—I am not necessarily saying

in the south—for a variety of reasons, and sometimes, for reasons with which we might agree and other times for reasons with which we may not agree, they choose to go to other parts of either central Adelaide or suburban Adelaide.

So, the government is aware of the willingness of the Onkaparinga council and others in the south to ensure future development but, with the significant assistance that we are providing to Mitsubishi and Mobil, then I think everyone should acknowledge that the government is serious about trying to maintain employment in the south, and grow it, and looking at some of these other areas to see whether or not we can attract future employment in the south as well.

Ms THOMPSON: I thank the Treasurer for his answers so far. However, that is more about maintaining employment in the south, and the emphasis on development was very small. We do have very high unemployment rates in the centre of the south, while the average for the City of Onkaparinga is the same as for the ASD. There are areas of extremely high unemployment and there are also areas of extremely low work force participation rates. So, the call centre is really about getting some IT infrastructure there as much as the call centre itself. We know that call centres are not a long-term answer to anything, but we do have a problem with IT infrastructure. Can the Treasurer tell me what is being done to assist the development of IT infrastructure in the south and also to commit to the long-term viability of the regional export extension service that the City of Onkaparinga is running?

The Hon. R.I. LUCAS: I have asked for advice on the regional export extension service that you are talking about from my officers if we have that advice here. The other issue that I have not addressed is that there have been some active discussions in relation to the gas pipeline issue. I am not sure if the member is aware of that. I know there have been discussions with the Onkaparinga council and some of the major industrial employers to see whether or not some of the people proposing to build the gas pipeline from Victoria to South Australia might look at routes which might further assist industry in the south. I will not bore you with the detail, but industrial employers in the south have been hot to trot on this particular issue for some time.

Ms THOMPSON: That is so in the south and in the north.

The Hon. R.I. LUCAS: The member for Reynell is aware of the dilemmas that employers are facing in the south, and I acknowledge that. Discussions have taken place and are continuing with the various pipeliners as to what the options are. Ultimately, for the consortium that builds the gas pipeline, the issue will be cost. Industry and Trade has been actively involved in those sorts of considerations, both in the south and also through the hills, because similar arguments have been put to officers of Industry and Trade for many years—certainly predating my one year or so in the portfolio. I know that the issues have been raised by local members and others through the hills as well.

We have an opportunity. I do not know whether the member was here before, but ultimately there will be commercial judgments, because the state government is not putting money into the pipeline: it is being built by a private sector consortium. What we are trying to do is aggregate and talk to industries; we are looking at the sort of demand that might be available in the hills and in the south and providing that information to the people who might build the pipeline in an attempt to say to them, 'Okay, if you do wander down this particular way it might cost this, but this is the sort of

custom that you might be able to pick up in terms of demand for gas in these areas.' The issue will be, of course, how the gas pipeline, if it does come through the south, wanders its way up through the western suburbs to in and about Port Adelaide. That is clearly an issue on which local members and local residents through that particular area might have a view. I am not sure whether there will be unanimity of view amongst local members—the member for Peake and others—about those sorts of issues, but I guess that is a matter not only for the Labor caucus but also for the Liberal parliamentary party room as well. A gas pipeline wandering through the western suburbs does raise some issues which will obviously need to be addressed from a community and residential viewpoint, as well as from the benefits that it might bring to the southern suburbs in terms of industrial development and cheaper gas.

I am told that this department is not handling this issue. The Minister for Government Enterprises is handling a telecommunications RFP at the moment. He has made a number of ministerial statements, I believe, and has answered questions in the House on that issue. The telcos in that are looking at accelerating investment in IT infrastructure. I am not privy to those discussions because they are confidential. I know that those negotiations are not yet finalised. I am not sure what capacity, if any, the telcos have for additional infrastructure in the south. I would be surprised if it was not a significant part of the discussions that are currently taking place. If the member has not already informally or formally raised the issue with Minister for Government Enterprises—

Ms THOMPSON: Through the Southern Partnership.

The Hon. R.I. LUCAS: —through the Southern Partnership—then he is the minister responsible for that telecommunications RFP. I am advised that that export service is partly a commonwealth program that has been funded. With regard to the negotiations over Mobil that we are undertaking with the Onkaparinga council, we are offering additional support for the south in terms of additional staffing to try to assist in economic development in the south. That is one of the very few examples where we have offered that sort of additional support (except perhaps for the Playford example) to assist the council. As the honourable member would know, the council is active in trying to develop industry in the south. As part of our total package we have made an offer to try to assist through outsourcing of staff for a period of three years. Those staff will be under the control and direction of the council. The council can use those staff, together with its own, in a new thrust for industrial development in the south assisted, in part, by this package the government is putting together.

Ms THOMPSON: As the minister would know, we do not see the package as being anything like equal to the loss of the Mobil rates. In the targets for 2001-02 (page 4.6), as a new initiative the minister has 'research the integration of economic and social policies to address impediments to employment and build community capacity in those areas of high disadvantage'. We have just talked about the fact that some areas in the south are areas of high disadvantage. I want to put it in the context that of all the states South Australia has had a decrease in work force participation of 3.5 per cent over the last 10 years. That indicates a high area of need and a challenge in terms of integrating those people into full economic and community life. I recognise that this is a new initiative and it says 'research', and presumably there was a project brief for this project. What are the intentions here?

The Hon. R.I. LUCAS: I will have to take the detail of that on notice. The honourable member will acknowledge that in terms of social disadvantage it is not just the south.

Ms Thompson interjecting:

The Hon. R.I. LUCAS: I accept that, but as the minister I am worried about all areas of social disadvantage in South Australia, including the south. I am sure that the member will acknowledge that it is not just the south. We have significant areas of social disadvantage in the north. In the upper Spencer Gulf and a number of other regions of South Australia there are areas of significant social disadvantage. We are happy to take it on notice and get some detail in terms of the research and what the various options might be for the future. I am not sure of the figures the honourable member has quoted on participation rates. I am unsure whether she has updated with the most recent participation rates which have shown a growth in the last two months from the 59 per cent figure to, happily, back over 60 per cent again. To my recollection, the 3.5 per cent she used might be a month or two out of date. I am only going by memory.

Ms THOMPSON: They might be a month or two out of date but no more. I got them last Wednesday morning.

The Hon. R.I. LUCAS: A month or two can sometimes be important, let me assure the member for Reynell, particularly if you end up wanting to be a minister. We will take it on notice, and will be happy to come back within the time frame with some detail on the sort of information requested by the member.

Ms THOMPSON: With regard to the capital investment statement, I refer to page 14. I am not suggesting that you move the industrial park at Salisbury to Lonsdale. It is all right; I recognise the importance of development for the whole state and the advantages it brings to the whole state. The cost of the project is \$12 million this year and the estimated total cost is \$35 million. Did this project at one stage involve the relocation of Clipsal? Is there still a proposal for the government to support the relocation of Clipsal to Salisbury?

The Hon. R.I. LUCAS: Certainly in my time as Minister for Industry and Trade there has never been a proposition for Clipsal to go to the automotive precinct of Supplier Park. I am advised that Industry and Trade are not aware of that proposition. In the very early stages, there was discussion about Clipsal, or parts of Clipsal moving to other locations, but not to this Supplier Park issue. In relation to the first more substantive point, I was delighted to see the television coverage of the Premier and industry leaders on Tuesday night. However, in and amongst that, in a number of television stories I saw John Camillo being widely quoted as saying, 'People need to realise that this will not only be an advantage for Holden's but Mitsubishi as well.' It was heartening to see that. Also one of the industry leaders—it might have been Bruce Griffiths—also made the point on one of the television bulletins that, whilst this investment, significant as it is, is located in the north, given the size and the economies of scale we are talking about and the importance of automotive manufacturing in the state, there will be flow-on benefit for Mitsubishi as well as for Holden's. Both industry and union leaders are acknowledging that and recognising it. I welcome that, because it is a sign that a 'them versus us' or a 'north versus south' attitude has not been adopted. It will be good for Adelaide and South Australia and for both manufacturers in terms of what will be done.

Ms THOMPSON: I was aware of the benefits for Mitsubishi. The other part of my point relates to government support for the relocation of Clipsal. Is any relocation intended? That was not clear. I know that it was on the cards. It was signalled to the Public Works Committee as a forthcoming project. However, it has now fallen off the forward project timetable. What has happened to that project?

The Hon. R.I. LUCAS: I am advised that Clipsal had expressed some interest in moving part of its operations to a location in the north, although not the one we have been talking about. It has advised the department that it has changed its thinking, and it does not appear that it wants to proceed with that previously foreshadowed intention. It is now having some other discussions about potential moves elsewhere. I am not aware of the detail of any of those discussions. Clearly, they have not got to the stage where—

An honourable member interjecting:

The Hon. R.I. LUCAS: Speak to whom?

Mr KOUTSANTONIS: Jim Bonner.

The Hon. R.I. LUCAS: The member for Peake, as always, is about a month or two behind. That is why I was warning the member for Reynell.

Mr Koutsantonis interjecting:

The Hon. R.I. LUCAS: The member for Peake has woken up. Thank you. I will not be diverted by the member for Peake. It is ultimately a business decision for the management of Clipsal, and it obviously needs to make its own judgments. Should at any stage it wish to proceed with a request for any possible assistance, it will be treated as everybody else is treated. It will have to be done on the merits. If it has to go through the various parliamentary processes, whether that includes IDC, the Public Works Committee or whatever, members of the opposition will have an opportunity to express a view one way or the other, as well.

Mr MEIER: Will the Treasurer give us a run-down on how Industry and Trade is helping in the rural areas, and perhaps identify some of the key rural projects that have been undertaken in the past 12 months or are proposed for the coming 12 months?

The Hon. R.I. LUCAS: There are a number of areas. Clearly, as I indicated earlier in response to questions in the Treasury portfolio, in the regional statement the government has summarised all investment from government departments in rural and regional South Australia. I will not take the time of the committee this afternoon in going through all that, but I can certainly make reference to the programs there.

In relation to the Regional Development Infrastructure Fund, the government has a commitment of about \$5.5 million a year now for infrastructure development in regional areas. I am told that, to date, about 36 projects involving a total of almost \$6 million have been approved. I am advised that the level of assistance has generated or retained a bit over 2 000 full-time and part-time jobs, and a further 14 or so projects are currently being evaluated by, firstly, the panel, and then, ultimately, a cabinet committee of which I am a member—

The Hon. M.K. Brindal interjecting:

The Hon. R.I. LUCAS: I am sure you are. Also, the department, through a number of its other funds which it has managed on behalf of either the federal government or others, has made a number of significant investments in aquaculture related projects: Amcor in the Lower Mid North, the movement of Adelaide Mushrooms from the southern suburbs to a location near Murray Bridge, a number of

packing operations and a variety of others. The chief executive reminds me that we had a significant investment in the abattoir operations, which I might say was very successful, too.

In relation to the Murray Bridge project, which we recently visited with the community cabinet, I know they quoted a very impressive figure in terms of the number of people currently employed—over 500 is the first estimate. Job numbers have now recovered at T&R Pastoral at Murray Bridge, and it is almost 800 now compared with a previous average of 390. In relation to Teys Bros at Naracoorte, whom we assisted, it will be possible to build employee numbers to 350 by 2003, 2005. There have been some significant investments by the Department for Industry and Trade and the government in targeted regional development investments, and credit to John Cambridge and senior officers in the department who, by and large, have been very successful in terms of job creation.

I know from the community cabinet meetings that the Minister for Employment and I are delighted at the types of problems we are running into at Murray Bridge community cabinets, Upper South-East community cabinets and Mid North community cabinets such as the issue of finding housing for workers and, in some cases, finding workers for the jobs that are available, and those sorts of pressures on infrastructure in our regional communities. As the Premier is happy to say on many occasions, he is happy to have those sorts of pressure points on government as opposed to the ones we were seeing five or 10 years ago when people were fleeing regional communities and moving to the city to find jobs.

Mr FOLEY: We have a leaked document from the Chief Executive Officer of the Department of Premier and Cabinet—

The Hon. M.K. Brindal interjecting:

Mr FOLEY: Yes, another one.

The Hon. M.K. Brindal interjecting:

Mr FOLEY: We want to go home not too late tonight, Mark, so do us a favour. We have a leaked document from the Chief Executive Officer of the Department of Premier and Cabinet, Mr McCann, showing a new strategic policy division within the Department of Premier and Cabinet which deals with a number of issues that are being or should also be dealt with by their agencies such as employment policy, statement of economic directions, strategic industries, automotive industry, Productivity Commission and information economy. Can the minister advise what this strategic policy division within the Department of Premier and Cabinet can do that DIT cannot do, is not or should not already be doing?

The Hon. R.I. LUCAS: I have said it twice today; I will say it the third time: where the Premier goes, I loyally follow, and on this occasion I do so again. The Premier very comprehensively outlined the reasons for the establishment of this division not only in relation to industry and trade but I think he was talking more broadly about some strategic policy issues across government. Without repeating all the detail of what the Premier said, what he was highlighting was that one of the great advantages of being in a small state is that you can have a Premier who is hands-on and active; and, when industries have problems with any of us within the agencies, the Premier is available to have a meeting very quickly. He wants to be in a position to be able to—bang heads together is too impolite a way to put it—show leader-

ship on behalf of all of us within the agencies who want to loyally follow him to resolve the issue.

As he highlighted, one of the projects involved five or six departments and agencies who all had a genuine interest in a particular issue. I think he talked about the Barossa infrastructure project and a number of others. SAMAG is a perfect example of where you have two, three, four, five and sometimes six agencies all having an active interest. In those cases, you can have a little turf warfare. It does not always happen, but occasionally you can have that break-out and it is then that leadership needs to be shown. We are lucky to have in the Premier someone who now believes that—along with the advice he receives from Warren McCann and others—he will be able to take that leadership role in bringing agencies together by crashing through any particular problems that we might be having in the agencies and bringing them to an early conclusion. I think that is his thinking, and as his loyal ministers we are delighted to follow him on that particular path.

Mr Koutsantonis interjecting:

The Hon. R.I. LUCAS: I thank the member for Peake for that interjection.

Mr FOLEY: I know, Treasurer, that you are a good friend of the Premier but, please, you do not have to lay it on quite so thick. The same leaked document—

Mr Koutsantonis interjecting:

Mr FOLEY: He always misses out.

The ACTING CHAIRMAN: Order!

Mr FOLEY: The same document we have states that the major projects division of DPC will work on a range of projects such as shipbreaking—heaven help us; I thought that one had died a death—SAMAG, the Adelaide to Darwin railway and other activities. The Treasurer has partly answered it, but I find it extraordinary that those activities could not be sufficiently undertaken under the existing structure of DIT, but clearly the Premier does not have confidence in DIT being able to deliver those projects. We know what the Premier is like: he likes to do everything. I think he needs to learn to delegate a bit. Anyway, the Treasurer has answered that question really. The investment attraction—

Members interjecting:

The ACTING CHAIRMAN: Order!

Mr FOLEY: I refer to the investment attraction and enterprise improvement outputs, pages 3.1 and 3.2, Budget Paper 5, page 4.11. For 2001-02, nearly \$45 million has been allocated for investment attraction and \$37.5 million for enterprise development. Again, you can take these questions on notice, Treasurer. What are the amounts budgeted for these items in the forward estimates for the years 2002-03, 2003-04 and 2004-05? What amounts are already committed for expenditure from these programs in 2001-02 either because work has commenced or because contracts have been signed? Are any projects to be commenced in 2001-02 that will carry over into the following years? What is the value of assistance already committed for the years 2002-03, 2003-04 and 2004-05?

The Hon. R.I. LUCAS: I will make some general comments but take the detail on notice and provide as much of a response as I feel we are able to. I certainly can answer a good number of the questions that the member has raised. I indicate that broadly, in terms of the forward estimates, certainly for the near future, there are very significant commitments against the IIAF (Industry Investment Attraction Fund), and that there is a significant reduction in the

forward estimates in terms of the total appropriation for the fund.

I have noted some comments in relation to the increased appropriations for my Department of Industry and Trade for 2001-02. In part, that is driven by the size of the Industry Investment Attraction Fund, and the forward estimates for Industry and Trade see a significant reduction from the figure that is quoted for next year in terms of the forward estimates. I am happy to take the detail of the question on notice and bring back a response, but that is generally the flavour of the response.

Mr FOLEY: It is fairly obvious what the government is doing: it is spending as much money as it can in this year in the lead-up to an election, then leaving the next government (the Treasurer's government re-elected or a new Labor government) with some tighter budgetary constraints in that area. But that is what you get when you are in government: you can do things like that.

The Market South Australia program is a \$4.5 million program next year, up from \$3.4 million this year. Given that this is an election year, it is more than ever vital to ensure that taxpayers' money is not once again misused for partisan Liberal Party electioneering. Can the Treasurer provide a breakdown of all spending under this \$4.5 million program worth more than \$5 000 per year for 2001-02?

The Hon. R.I. LUCAS: We are happy to take that on notice and bring back a response.

Mr FOLEY: Does the \$4.5 million program include funding for the government sponsored *Directions* program on Channel 9? If so, what is the annual cost of the *Directions* program?

The Hon. R.I. LUCAS: It costs \$15 000 per episode, so it is \$195 000, plus \$65 000 for advertising and repeat screenings, which makes a total cost of about \$250 000 or \$260 000. I am told that the recent series had a total audience of 860 000 viewers, and two specials on food and bioscience attracted about 250 000 viewers. Over 250 companies have been featured. Programs promoted the importance of the state's key industry sectors, such as automotive, food and wine, information technology, defence, health and electronics.

Some research—commissioned by Channel 9, I understand—has been done with the companies that have been involved, and it showed strong support for the program amongst featured companies: 100 per cent said they would participate in *Directions* again if given the opportunity; 93.7 per cent rated the program as good, very good or excellent; and 75 per cent said that participating in *Directions* was good or very good for their business. I am advised by the chief executive that the government, through the department, does not have editorial control over the final content that goes to air. I do not, because I have never had any involvement with it at all, and I am sure that previous ministers have not.

Having spoken to a number of companies that have been involved in the program, I know that they have been delighted at the impact on their business. The important thing, which I am sure even opposition members would agree, is that those companies, the workers who work for them and the families who rely on them for income, will all be delighted that the companies are doing well as a result of being involved in this joint initiative.

Mr FOLEY: I can understand an argument from the tourism minister that there might be some value in hosting *Postcards and Discover*—

The Hon. R.I. LUCAS: That's not what you said Tuesday. You were a bit tough on it.

Mr FOLEY: No. I said on Tuesday that there may be some argument that is sustainable for *Postcards and Discover*, although I am not yet convinced, but perhaps there is a debatable point with tourism, given the need for people in South Australia to be touring in their own state. But I have to say—and I mean no disrespect to the people involved—that for the life of me I cannot see what benefit we get out of *Directions*, particularly given that they are great South Australian companies, no doubt, but they are not in the main producing consumer goods for domestic consumption.

The program is on at about 10.30 at night: you really have to be hard up for some television to watch the full hour of it. Maybe I am missing something, but I just cannot see it. Not that I am advocating this because it would be too expensive, but if you were running it in Sydney or Melbourne, where you are showcasing South Australia, then maybe, but showing it to ourselves I do not see what we get out of it.

The Hon. R.I. LUCAS: I understand that this program has been going in one form or another since about 1996. The original initiative would have been an initiative of the now Premier and then Minister for Economic Development, or whatever the title was at the time. I am advised also that the department, in terms of its push into other states, promotions and those sorts of things, uses a number of the clips that we get from this program. If we were not involved in this program, we would need to incur costs in terms of either promotional work or activities that we undertake on behalf of the state in other states.

Looking at advertising, we are doing in-flight advertising on Qantas and Ansett, highlighting the wonderful attractions of doing business in South Australia. We also use some of these clips in our overseas offices in promoting South Australia. It is an easy target: I accept that; but if we in DIT did not have the program we would need to be separately employing similar production groups to put together clips and packages for us to promote South Australia overseas and interstate. So, we need to look at those sorts of issues.

Mr FOLEY: In relation to Budget Paper 5, Output 3.3, page 4.12, Industry Support, has the government commissioned a review of the effectiveness of its funding for Business Vision 2010 and, in particular, its activities designed to promote industry clusters; if so, at what cost?

The Hon. R.I. LUCAS: We have started to collect some information in relation to the effectiveness of Business Vision 2010. We have an agreement with Business Vision 2010 that we will conclude that review over the next 12 months, so, before either we or some new government takes a decision about ongoing funding, that government and that minister will be armed with quite a comprehensive review, because a range of programs is undertaken, as the honourable member will know, so it is not like looking at just one program and reviewing it. We have to look at the range of programs that they are involved in. They are also going through a sort of reassessment in regard to their relationship with Business SA, and we will need to see how that settles. That is currently occurring.

Mr FOLEY: Who conducted the review and when did DIT receive a copy of the consultant's draft report?

The Hon. R.I. LUCAS: We will take that on notice. We think it might be a Tasmanian consultant after a registration of interest, but we will take it on notice, find the name of the person and provide the information.

Mr FOLEY: When did you receive a copy of the report?

The Hon. R.I. LUCAS: I have not seen a copy of the report, so at least let me read it first. As I indicated, it is the first part of an ongoing review. I have not seen it; I will need to take that on notice. It would make sense to me that the reviewer ought to complete the review before we start doing it in parts and shovelling it out. It might be unfair on the organisations being reviewed if a partial review were to be distributed before we had had an opportunity to complete the total review.

Mr FOLEY: So, you are not able to make any further comment on the findings on the draft report?

The Hon. R.I. LUCAS: No.

Mr FOLEY: I refer to the capital investment statement in Budget Paper 6, page 14, where the capital works table 4.5 and the capital works program for industry and trade shows a budgeted capital works in 2001-02 of only \$1 million. Budget Paper 3 states that the data in table 4.5 is sourced from the capital investment statement—

The Hon. R.I. LUCAS: Which document are you in?

Mr FOLEY: I am in Budget Paper 3, table 4.5, page 4.8. I want to reconcile it with the capital investment statement in Budget Paper 6, page 14. Capital works table 4.5 and the capital works program for industry and trade show budgeted capital works for 2001-02 of \$1 million. Budget Paper 3 states that the data in table 4.5 is sourced from the capital investment statement. The capital investment statement in Budget Paper 6 for Industry and Trade, however, shows expected capital works in Industry and Trade of \$37 million. Which of these two figures is correct, and where does the additional \$36 million of extra capital funding for DIT appear in table 4.5?

The Hon. R.I. LUCAS: I am struggling to keep up with all these tables. Is table 4.5 on page 4.8?

Mr FOLEY: Yes. Industry and Trade has \$1 million. If you go to the capital investment you see \$12 million for the industrial park and \$25 million for the railway line.

The Hon. R.I. LUCAS: We might need to take this on notice. I am told that the \$1 million refers to internal capital infrastructure such as computers within Industry and Trade. As to where, if at all, the \$12 million (which I can assure you will be spent) appears in table 4.5—

Mr FOLEY: It is not an earth-shattering question.

The Hon. R.I. LUCAS: I will take that on notice. I am not sure whether it appears in one of the others. I cannot imagine why it would be in one of the other portfolios, so it may well be that that table does not take into account some capital works. Why that would be the case I am not sure. I will take that on notice and bring back a reply.

Mr FOLEY: Following on from that, you have allocated \$35 million for infrastructure at the industrial park at Salisbury. That is separate from any moneys spent on industry assistance?

The Hon. R.I. LUCAS: Yes. In the end, having expended the money on infrastructure, the government is looking for revenue from land sales from the companies that go there, so there is a connection. So, part of attracting companies to go there is that they will pay for land costs and whatever else there may be so that a revenue stream comes back to the government from that part of the development at DSTO.

Mr FOLEY: I move on to Mitsubishi's announcement today that it has put back until December its decision as to whether or not it keeps its plant open. It may be that it is awaiting the outcome of the federal election to see whether a federal Labor government reconsiders some of the issues the company has put before the federal government. Are you

able to comment? Have you had discussions with Mitsubishi in the light of that announcement, and can you provide any further advice? Obviously there might be some confidential stuff which you would rather not discuss. What are we doing? Are we just waiting or keeping in contact with them regularly?

The Hon. R.I. LUCAS: We have not had recent discussions, but the advice I have had is that the decision would be taken towards the end of the year. I know that various sections of the media have reported various dates ranging from August-September through to the end of the year. One of the other issues from Tom Phillips and others is that as the minister I am very cautious about taking as gospel what I read in the newspapers until we have a chance to confirm something with Mitsubishi. I was in a meeting yesterday where there was a representative of Mitsubishi—certainly not at the highest level. Their viewpoint, and the message Tom Phillips was giving the senior executives, was that this was consistent with their understanding in terms of timing and that it was

pushing on, trying to get the 30 000 units they are required to get and the other performance requirements that they have been told they must achieve this financial year. They were optimistic about that as you would have seen, not only from Tom Phillips's statements but also from the some of the union leaders, who have also made some statements in the past couple of days.

Mr FOLEY: I am done. After eight years of these estimates I do not have the strength to go through until 10 o'clock.

The ACTING CHAIRMAN: There being no further questions, I declare the examination of the Department of Industry and Trade and Department Industry and Trade, Administered Items, vote completed.

ADJOURNMENT

At 6.09 p.m. the committee adjourned until Tuesday 26 June at 11 a.m.