

HOUSE OF ASSEMBLY

Thursday 28 June 2007

ESTIMATES COMMITTEE A

Chair:

Ms M.G. Thompson

Members:

Mr L.W. Bignell
 Ms V. Ciccarello
 Mr M.R. Goldsworthy
 Mr S.P. Griffiths
 Mr M.L.J. Hamilton-Smith
 The Hon. P.L. White

The committee met at 11 a.m.

Department of Treasury and Finance, \$98 924 000
 Administered Items for the Department of Treasury and
 Finance, \$1 065 167 000

Witness:

The Hon. K.O. Foley, Deputy Premier, Treasurer, Minister
 for Industry and Trade, Minister for Federal/State Relations.

Departmental Advisers:

Mr J. Wright, Under Treasurer, Department of Treasury
 and Finance.

Mr B. Rowse, Deputy Under Treasurer.

Mr D. Imber, General Manager, Finance Branch.

The CHAIR: As everyone knows, the estimates committees are a relatively informal procedure and, as such, there is no need to stand to ask or answer questions. The committee will determine an approximate time for the consideration of proposed payments to facilitate the changeover of departmental advisers. I understand there has been a slight change in the timetable, as follows: from 11 a.m. to 12.30 p.m., Department of Treasury and Finance; 1.30 to 3.30 p.m., Treasury and Finance; 3.45 to 4.45 p.m., Motor Accident Commission, Motor Sport Board, Funds SA, SuperSA, SAFA, SAAMC and Admin Items DTF. Treasurer, is that your understanding?

The Hon. K.O. FOLEY: Yes.

The CHAIR: Leader of the Opposition, is that your understanding?

Mr HAMILTON-SMITH: Yes.

The Hon. K.O. FOLEY: We are here at the opposition's mercy, Madam Chair. I will suffer them all day.

The CHAIR: Changes to committee membership will be notified as they occur. Members should ensure that the chair is provided with a completed request to be discharged form. If the minister undertakes to supply information at a later date, it must be submitted to the committee secretary by no later than Friday 7 September. I propose to allow both the minister and the lead speaker for the opposition to make opening statements of about 10 minutes each. There will be a flexible approach to giving the call for asking questions, based on about three questions per member, alternating each side. Supplementary questions will be the exception rather than the rule. A member who is not part of the committee

may, at the discretion of the chair, ask a question. Questions must be based on lines of expenditure in the budget papers and must be identifiable or referenced.

Members unable to complete their questions during the proceedings may submit them as questions on notice for inclusion in the House of Assembly's *Notice Paper*. There is no formal facility for the tabling of documents before the committee. However, documents can be supplied to the chair for distribution to the committee. The incorporation of material in *Hansard* is permitted on the same basis as applies in the house, that is, that it is purely statistical and limited to one page in length. All questions are to be directed to the minister, not to the minister's advisers. The minister may refer questions to advisers for a response. I also advise that for the purposes of the committee some freedom will be allowed for television coverage by allowing a short period of filming from the northern gallery. I declare the proposed payments open for examination and refer members to the Portfolio Statement, Volume 1, part 3. Treasurer, do you propose to make an opening statement?

The Hon. K.O. FOLEY: I will not make an opening statement. The only comment I would make is that it was reported to me yesterday that the Leader of the Opposition was barking like a chihuahua. I hope he can contain himself today. Let's try to have a civil day and no antics.

The CHAIR: I am sure we all hope that courtesy will be accorded on all sides. Leader of the Opposition, do you wish to make an opening statement?

Mr HAMILTON-SMITH: I think it is a bit unfortunate that the Treasurer starts his opening remarks with an insult, which is a bit uncalled for. I will make some opening remarks about the content of the budget and try to stay within the substance of it. The opposition is very concerned about this budget. We have described it as a budget of debt, disappointment and delay. The Treasurer claims that he is running a surplus budget. His own budget papers reveal that, although that may be so in regard to net operating surplus, in respect of net lending/borrowing and cash surplus bases, the other two generally recognised measures, the budget is in significant deficit.

The Hon. K.O. FOLEY: Madam Chair, that is a lie.

Mr HAMILTON-SMITH: Madam Chair, you will have to ask the Treasurer to withdraw that remark.

The Hon. K.O. FOLEY: I have absolutely no intention of withdrawing.

An honourable member: On a point of order—

The CHAIR: I remind the Treasurer that the word 'lie' is unparliamentary. I suggest he apologises.

The Hon. K.O. FOLEY: I have no intention of apologising, Madam Chair. I can be expelled for the day if you like, but it is a lie, an outright lie.

The CHAIR: There are other words that can be used, Treasurer.

The Hon. K.O. FOLEY: I am not using any other word. It is a lie, an outright lie.

Mr HAMILTON-SMITH: Well, Madam Chair, we cannot proceed. We are trying to address the substance of the budget. Nothing is clear—

The Hon. K.O. FOLEY: I am not going to sit here and have the Leader of the Opposition lie, which he does consistently, about the true facts of the budget. Either he is honest in what he presents to this parliament or he is not. I am not going to use any other word than saying that the Leader of the Opposition is lying when he says that the budget is in deficit.

The CHAIR: Treasurer, you waived your opportunity to make a statement. If you wish to make a statement following the Leader of the Opposition—

The Hon. K.O. FOLEY: I am happy to go back to the office to do my work, Madam Chair. I am happy to be here and scrutinised, but I am not going to allow him to put a lie on the table.

Mr HAMILTON-SMITH: Madam Chair, standing orders are clear. To accuse someone of lying is unparliamentary. It must be withdrawn. There must be an apology. I cannot see that we can proceed.

The CHAIR: I am aware of standing orders, and I am just going to contemplate the matter for a while.

Mr HAMILTON-SMITH: We are going to resolve this, Kevin.

The Hon. K.O. FOLEY: I am just not going to allow Martin Hamilton-Smith to do what he always does and put up bald-faced lies. The media report all his lies as fact and, days later, he has to do a backflip. I am just not going to let that happen at the beginning of today. I am happy to sit here all day and be questioned rigorously by the Leader of the Opposition, but I am not going to have him do as he always does—put a bald-faced lie into the community and stand by it. If I get expelled from the chamber for that, so be it.

The CHAIR: The sittings of the committee are suspended for five minutes.

[Sitting suspended from 11.08 to 11.20 a.m.]

The CHAIR: Where we were up to was that a word that was unparliamentary had been used. Under standing orders, there is a necessity for me to request that it be withdrawn.

The Hon. K.O. FOLEY: Madam Chair, is the Leader of the Opposition prepared to present the facts correctly, or will he continue to misrepresent the facts? That is the bottom line. I have used the word 'lie', Madam Chair, because the Leader of the Opposition quite deliberately, quite provocatively, as his wont, continually puts unfair, untrue and incorrect facts into the public. The media jump on them and report them. This government has worked too hard for too long to repair the state's balance sheet to have the Leader of the Opposition—

Mr HAMILTON-SMITH: Point of order, Madam Chair.

The CHAIR: Order!

The Hon. K.O. FOLEY:—continually lie about the state of the books. I, as Treasurer of this state, cannot allow that to go unreported.

Mr Hamilton-Smith interjecting:

The CHAIR: Order!

The Hon. K.O. FOLEY: But, Madam Chair—

The CHAIR: Order!

The Hon. K.O. FOLEY:—for the courtesy of the parliament, I withdraw the word 'lie' and replace it with the word 'untruth'. But the point has been made, and I hope that it is respected by those who report the proceedings of this house, that the Leader of the Opposition continually speaks untruths about the state of the budget. I apologise for the word 'lie', but I have made my point. It is exactly what I wanted to do, and I am happy to proceed.

The CHAIR: Thank you, Treasurer. Do you wish to reconsider whether you want to make an opening statement?

The Hon. K.O. FOLEY: No, I am happy. I am just not prepared, Madam Chair, to allow untruths and misrepresentation. The word 'lie' is unparliamentary, but it is exactly the

word I wanted to use for the media today—that the leader has lied consistently about the budget.

The CHAIR: Order!

The Hon. K.O. FOLEY: I apologise for that—

The CHAIR: Order!

The Hon. K.O. FOLEY:—and withdraw, but it cannot be left unsaid. I have made my point; it is exactly what I wanted to do. The leader has to be held accountable for his actions, and I think that I have done that.

The CHAIR: Treasurer, you may use what words you choose outside the parliament but, within the parliament, there are words that are unparliamentary.

The Hon. K.O. FOLEY: I think that I have made my point more than satisfactorily.

The CHAIR: Leader, do you wish to continue with your opening statement?

Mr HAMILTON-SMITH: I will start with the fact that, on two of three measures, the budget is in deficit.

The Hon. K.O. FOLEY: Madam Chair, the former Liberal treasurer got rid of cash reporting of a budget, so you just can't do this. You cannot keep doing it, Marty. You don't know your finances. You don't know your balance sheet.

The CHAIR: Treasurer, I am sure that you will have ample opportunity. If you could allow the leader to be heard in silence, I am sure that you will be able to make your points many times.

Mr HAMILTON-SMITH: Do be a good boy, Kevin. I refer the committee to the Treasurer's own Budget Paper 3, page 1.2, which clearly shows—in fact, a graph is provided in figure 1.1 on page 1.3—that, on a net operating balance basis, the budget is in surplus but, on a net lending basis, the budget is in deficit. I advise the committee of the factors of that deficit: in 2007-08, \$428 million; in 2008-09, \$383 million; in 2009-10, \$167 million; and in 2010-11, \$314 million. I also remind the committee that, on a cash basis, when you look at this budget, in 2006-07, it is \$208 million in deficit—

The Hon. K.O. FOLEY: That is an untruth.

Mr HAMILTON-SMITH:—and \$386 million—

The Hon. K.O. FOLEY: It is actually a lie.

The CHAIR: Treasurer—

The Hon. K.O. FOLEY: I withdraw that and apologise, but it is a lie. I withdraw and apologise for that.

The CHAIR: Treasurer, please listen—

The Hon. K.O. FOLEY: Well, he just can't keep doing that.

The CHAIR:—and allow the leader to speak uninterrupted and you will have plenty of opportunity to make all your points. Please contain yourself to language that is parliamentary. Leader.

Mr HAMILTON-SMITH: You've got a glass jaw.

The CHAIR: Order!

Mr HAMILTON-SMITH: You love getting up in question time, dishing it out—

The CHAIR: Order!

Mr HAMILTON-SMITH:—but you can't take it.

The CHAIR: Order, Leader of the Opposition!

The Hon. K.O. FOLEY: I just like the truth being told, not untruths.

Mr HAMILTON-SMITH: Well, I will continue.

The CHAIR: Yes.

Mr HAMILTON-SMITH: If you can just contain this little boy over here—

The CHAIR: Order! Continue.

Mr HAMILTON-SMITH: On a cash basis, 2006-07, \$208 million in debt; 2007-08, \$386 million; \$393 million in 2008-09; and \$155 million in deficit 2009-10. This is the basis the commonwealth uses. On two of three normally used accounting measures, this budget is in deficit. The Treasurer prefers the one measure that shows his budget to be in surplus—net operating surplus.

The Hon. K.O. FOLEY: I didn't choose that measure; Rob Lucas chose that measure.

Mr HAMILTON-SMITH: It is a fact.

The Hon. K.O. FOLEY: I did not choose that measure; Rob Lucas chose that measure.

The CHAIR: Order!

The Hon. K.O. FOLEY: You are a cowboy, Marty. You've got no idea. You're a cowboy.

The CHAIR: Order! Calm down. Treasurer, I was about to point out to the leader that he is repeating his second reading speech to the budget and not addressing the topic of the day.

Mr HAMILTON-SMITH: I am making my—

The CHAIR: We have had it a couple of times now. Perhaps you could address the topic.

Mr HAMILTON-SMITH: Madam Chair, you are an independent chairperson.

The CHAIR: Yes.

Mr HAMILTON-SMITH: You have given me 10 minutes to speak about the budget. I am talking—

The CHAIR: No, I think that you misunderstand. I have given you 10 minutes to make an opening statement about the matters under question today—that is, the budget lines and the estimates. It is not the second reading of the budget.

Mr HAMILTON-SMITH: Well, Madam Chair, if you don't mind, whether or not the budget is in deficit and whether we are in debt is very much a matter addressed by these papers today.

The CHAIR: Please focus on the matters to be discussed today.

Mr HAMILTON-SMITH: Well, if you can let me speak, I will.

The CHAIR: Order!

The Hon. K.O. FOLEY: Did you rehearse this in front of the mirror before you came, Marty?

The CHAIR: Order! Leader of the Opposition, I remind you that, to the extent that you digress from the topic of the day, the Treasurer will have equal liberties. Please proceed.

Mr HAMILTON-SMITH: The budget increases debt to almost \$3.4 billion by 2011. Net debt, government sector, rises almost tenfold to \$1.443 billion. It is a lot of money. Taxation is up extraordinarily in this budget: property taxes alone, up by 75 per cent since this government came to office, and total tax revenue is 48 per cent over the life of the government—an extraordinary increase in revenues this Treasurer has enjoyed in six of the most easy years to be a Treasurer in this state's history. Payroll tax collection, despite the cuts that have been announced in this budget, will continue to rise extraordinarily to just short of \$1 billion in the forecast period in this budget, 2010-11.

The CHAIR: Leader, just pause for a moment, because I want to remind you just how far out of order you are. The line that is open for consideration is: Portfolio: Treasury and Finance; minister appearing, Treasurer; estimate of payments, Department of Treasury and Finance, \$98 924 000, and administered items for the Department of Treasury and Finance, \$1 065 167 000. The figures you are quoting continually are well outside that parameter. So, I remind you

that what is open for consideration now are those payments. To the extent that you digress beyond those, the Treasurer has equal liberty. It is up to you to decide. I am not going to rule you out of order; I am simply pointing out to you that you are out of order and I will give the Treasurer equal opportunity to be out of order.

Mr HAMILTON-SMITH: I have to say that I find that quite extraordinary from you, Madam Chair, but I will move on. We are here to discuss Treasury and Finance and this budget. Give the committee a little bit of freedom to discuss it.

The CHAIR: Those are the lines that are open. You asked me to support standing orders; I am supporting them.

Mr HAMILTON-SMITH: You just don't want to be accountable, do you? You just don't. Property tax collection—

Mr Bignell interjecting:

Mr HAMILTON-SMITH: That is about the first thing I have heard you say since you have been in the house, Leon. Property tax collection is up to \$1.386 million. Private sector land tax collection is up extraordinarily. Stamp duty on the conveyancing of property is up. Taxes on gambling are up. Taxes on motor vehicle users are up extraordinarily. Unfunded superannuation liability is to remain at around \$6 billion, or just short thereof, for some time. There is nothing in here about WorkCover. There has been \$36 billion of GST taken since it was introduced—a tax that the Treasurer opposed, along with the Premier. It is absolutely extraordinary. We then find that the public sector has suddenly grown by 12 000 people, only 2 000 of whom were budgeted.

The Treasurer's budget is already in disarray. He is facing liabilities from pay rise, wage and industrial-related matters breaking out. We have psychiatrists, nurses and others claiming wage increases that this document acknowledges could upset the entire balance of the budget, as well as yesterday's amazing backflip on education cuts creating another \$17 million hole in the budget.

Infrastructure spending, when you measure the life of the expenditure, is far from inspiring, and it is a far call from the government's claims that it is the biggest infrastructure spend in the history of man. That is far from the case. It is very unimpressive. It is not a good budget; it is a budget of debt, disappointment and delay. There is nothing in it for families, there is nothing in it for the aged, and there is nothing in it for a lot of South Australians. We welcome the payroll tax levy reduction—that was some good news—but at a time of buoyant revenues the budget does little to build for the future. I am happy to end my remarks there and go on with questions.

The CHAIR: Treasurer, I don't think I need to point out to you that those opening remarks did not refer to the lines under consideration, which are to be found in the relevant Portfolio Statement, Volume 1, part 3. If you wish to respond, I am prepared to give you the opportunity.

The Hon. K.O. FOLEY: No.

The CHAIR: Leader, I will ask you to please confine your questions to the lines that are open; not to the budget in general.

Mr HAMILTON-SMITH: What?

The CHAIR: You do have other opportunities to raise your concerns about issues relating to the overall budget: the second reading debate for this measure and the grievance debates when parliament resumes. Estimates committees examine specific lines only, and I expect this committee to adhere to the rules, just as any other committee.

Mr HAMILTON-SMITH: So you are trying to rule, Madam Chair, that we cannot ask questions about the budget—

The CHAIR: I am trying to rule—

Mr HAMILTON-SMITH: —that we can only ask questions about tea and biscuits at the Treasury Department? Is that what you are—

The Hon. K.O. Foley interjecting:

Mr HAMILTON-SMITH: Is that what you are—

The Hon. K.O. Foley interjecting:

Mr HAMILTON-SMITH: He doesn't need your protection, Madam Chair.

The Hon. K.O. FOLEY: Marty, get over it.

Mr HAMILTON-SMITH: I am trying to. She is telling me I cannot ask questions about the budget. That is what we are here for.

The CHAIR: Leader, I am advising you what is in order today. If you proceed with matters that are out of order, the Treasurer will also be given liberty to deal with matters that are out of order.

Mr HAMILTON-SMITH: I am sure he will take whatever liberties he wants, Madam Chair. Can I ask a question about a shortfall in the budget linked to yesterday's announcement that WorkCover compensation requirements imposed on schools will now not be posted or required? The budget papers show that nearly \$17 million was to be raised from that source, and that a total of around \$166 billion over four years was to be raised from schools through a range of cuts. Can I ask what the effect of that \$17 million reversal yesterday will have on the Treasurer's expected saving measures in the education budget?

The Hon. K.O. FOLEY: Madam Chair, as the Premier said yesterday, we made a mistake with applying that measure to our schools, but what underlines that decision was not as much a budgetary measure as the fact, leader, that we clearly have a WorkCover problem in our schools—occupational health and safety—and it is how you best deal with it. It was actually your government which made a decision to decentralise school funding; that was to take funding from central head office and devolve it to school councils and local school management. With that came a whole lot of responsibilities. What then occurred, of course, was that grants are going directly to schools, and I think that, on the last occasion on which I was advised, it was somewhere in the order \$160 million to \$170 million sitting, unspent, in school bank accounts. That is appropriate and understandable, given the conservative nature of how school councils and school management will run their local schools.

The question then becomes: how much do you devolve to local schools? The cabinet took the view that one of the things you should have devolved to schools when you did it was local school responsibility for its occupational health and safety. We thought there was no better way to do that than to actually have the principal and the school council, or the principal and his senior administrative staff, actually managing occupational health and safety at the workplace, and we thought that would work as a good stimulus to better management of OHS which, of course, happens in most—well, at every other work site—and we took that decision.

Now, clearly, it was an unpopular decision; clearly, it had an impact that we didn't expect; and we took a decision that it was a mistake and we have withdrawn it. What we said is that in doing so we do not want to lose sight of the fact that the government can, and should, still look for ways to significantly improve its occupational health and safety in our

schools. In fact, in the correspondence I read from the principals association, from memory, together with the teachers union, from memory, they put forward their own comments that they would like to work with government to see how we can meet the objectives of the government without putting this levy on schools. In fact, they agreed that there were ways to significantly improve WorkCover in our schools. Therefore, the saving stands: that is, we will look to see if there are other ways that are not impacting on schools to improve the cost of workers rehabilitation within the education department. That is a piece of work we are now undertaking. The budget saving still stands. It will not be money affecting schools, but it may well be that over a period of time—perhaps a little longer—we can find better work practices and occupational health standards that will reduce our workers rehabilitation costs to that tune. Now, it remains to be seen whether we can do that through another piece of work and, once we have undertaken that, we will advise the house.

Mr HAMILTON-SMITH: I thank the Treasurer for his reply. Did I correctly hear you say that the requirement for that \$17 million to be found within education still stands, but that you will look at other ways to identify the \$17 million?

The Hon. K.O. FOLEY: That is exactly what I said, yes.

Mr HAMILTON-SMITH: Right. So, education will still need to find from—

The Hon. K.O. FOLEY: No.

Mr HAMILTON-SMITH: —somewhere in its programs \$17 million—

The Hon. K.O. FOLEY: No, come on, Marty. Let's not start using the I-word again. Let's be fair about this. What I have said is that we want to look at how we can improve occupational health and safety practices in our schools which in turn will lead to a saving, and we would hope that a body of work can be undertaken that will demonstrate that, through better work practices and better ways of addressing occupational health and safety, we can reduce the cost of that to a figure of \$7 million a year. That is not to say we are going to take \$7 million a year away from anything else: it is a matter of whether or not we can better manage our workers compensation. If we cannot, or if we cannot achieve that figure, the budget will be adjusted accordingly. We are about trying to see how we can improve workplace practices in the education system. The principals have said that we can do it, the teachers have said that we can do it, and we should do it, and we will see what savings can be achieved.

Mr HAMILTON-SMITH: I thank the Treasurer for his answer. Last night the education minister was unable to clarify this issue, so we want to be very specific. If the Treasurer cannot find the economies that he talks of in regard to making the workplace safer, will the money proposed to be raised by this WorkCover charge—the \$17 million of education savings initiative—not be required? Will you forgo that \$17 million, or will it have to be found from elsewhere?

The Hon. K.O. FOLEY: I have just explained that to you, Martin. Let us see what we come up with when we have another look at what options are available to us in terms of managing our workforce. We have mid-year budget reviews and we have other times when we will update the budget forecast.

The Hon. P.L. WHITE: Will the Treasurer inform the committee of the reasons behind rising net debt across the forward estimates?

The Hon. K.O. FOLEY: I will now present the true facts around the state debt. It is a good story, and it is one that we

should be able to share with the committee, and I hope that the committee appreciates the story that we have to tell. In 2007-08, net debt is expected to rise by \$467 million to \$618 million, rising across the forward estimates to \$1.443 billion by 2010-11. As a government, it is appropriate to use debt to fund strategic and vital infrastructure, provided that it is supported by a strong balance sheet and strong net operating balance surpluses across the forward estimates.

When the economy is running strong and finances are robust, that is the time to borrow money. When we first came to office, I eliminated state debt. I took \$1.5 billion off the state debt—eliminated it—without any resort to selling any assets. On Monday, I was in Queensland addressing a public/private partnership conference. The Queensland government is spending some \$17 billion on capital next year, \$66 billion over four years. We are spending \$1.4 billion by 2010 per year.

Properly gearing your balance sheet is a prudent thing to do. When I came into office, I had business telling me that and, if I look through *Hansard*, no doubt there would be quotes from Martin Hamilton-Smith probably telling me to do that. If I recall, certainly the trade unions were of that view. I remember Barry Fitzpatrick, an eminent businessman and a good friend of mine, strongly advocating the proper use of a balance sheet. From memory, it was Standard and Poor's—or Moody's—who actually said that it is not a bad thing for state governments to start to use their balance sheets to replenish their capital stock. That is what you do in a business, and government is a business.

The debt that we are incurring is debt that is serviced from net operating surpluses in the \$200 million to \$300 million going forward. We have the capacity to service that debt. It is the appropriate thing to do, particularly given that the opposition has been telling me to spend money on infrastructure. Where do you think the money comes from? Do you think that taxpayers of today should be paying the price of all the infrastructure today that will be used by generations of people? That is the model that is used in state government: you spread the cost of those infrastructure projects over 20 or 30 years so that the taxpayers of the next 20 or 30 years service those costs. You are sitting next to Steven Griffiths, the member for Goyder. I say to the honourable member: you ran a council; let me guess, you borrowed money for capital works, correct?

An honourable member: Yes.

The Hon. K.O. FOLEY: True—boom, boom! Steven is somebody who has run a business. He has run a council, and he has just admitted that he has borrowed money for capital works. How did you pay for that, Steven? Out of your net operating surpluses; correct? Correct—boom, boom! Hallelujah! I have an honest opposition member. He has just confirmed that when he ran a council he borrowed money for capital works, and he serviced it from his net operating surpluses. That is exactly what we are doing, but on a larger scale. Thank you for your honesty.

The government is forecasting strong net operating balance surpluses going forward, as I have mentioned. Net operating balance surpluses across the forward estimates are estimated at \$30 million next year, rising to \$205 million in 2008-09, \$336 million in 2009-10 and \$278 million in 2010-11. Net debt is expected to rise to 11 per cent of revenue by 2010-11. This is significantly lower than debt under the previous Liberal government. In 1999-2000, net debt under the Liberal government, as a percentage of revenue, was at 25 per cent. In 2000-01, even when the net

debt was reduced as a result of the sale of ETSA, net debt, as a percentage of revenue, was still 15 per cent.

At the same time, the former Liberal government's net operating balance was in deficit by nearly \$300 million. That is a very dangerous combination: significant debt coupled with the inability to pay for the recurrent expenditures from recurrent revenues. It appears that the Liberal debt was not used to boost infrastructure. Capital investment in 2000-01 was \$427 million, barely graded in the depreciation of \$322 million. In contrast to this under-investment, capital investment will average more than \$1 billion per annum over the next four years and double the rate of depreciation. Capital investment will be two and a half times that in 2000-01. The government's investment in infrastructure is both needed and prudent, given our strong operating surpluses across the forward estimates. This was backed up recently by the rating agency Standard and Poor's when it stated:

Despite capital expenditure projects on a new hospital and transport and health initiatives, the state's balance sheet is expected to remain strong.

This is the independent international rating agency:

The government's approach to infrastructure investment and responsible economic management is a far cry from the net operating deficits and neglected capital investment of the former Liberal government.

Ms CICCARELLO: My question refers to Fiscal Strategy, Budget Paper 3, page 1.2. Treasurer, how does the budget support the state's AAA credit rating?

The Hon. K.O. FOLEY: That is a very good question. The budget provides a fiscal outlook that will ensure the state's AAA credit rating, regained by this government, will be maintained. That is why the silly scare tactics of the Leader of the Opposition, the wrong message they send to the financial and investment markets interstate and overseas, and his reckless and destructive comments are simply, clearly untrue. I would hope that he shows a degree of maturity as an opposition treasurer and talks about the finances in this state with honesty, and is critical where criticism is due, but does not misrepresent the state's financial position.

In determining the state's credit rating, rating agencies consider a range of matters, including the government's management of the state's finances and the level of the state's financial liabilities. The 2007-08 budget builds on the strong financial position delivered by the government in previous budgets. General government sector operating surpluses are projected in all years going forward. The state's balance sheets remain strong. The net worth of the general government sector is expected to increase by more than \$2.5 billion from 2007 to 2011.

While net debt is expected to increase over the forward estimates to fund the government's significant capital expenditure program, the forecast strong operating surpluses have constrained the need for new borrowings, and net debt remains at prudent levels. In its ratings report card for Australian governments, released in February 2007, in relation to state governments—this is a very important quote, and I will say it slowly so people can hear it—Standard and Poor's noted:

Borrowing is not a sign of financial mismanagement. Given the strength of the states' balance sheets, they can well afford to pursue their capital expenditure programs.

The quote is from Standard and Poor's, the international rating agency. I will reread it:

Borrowing is not a sign of financial mismanagement. Given the strength of the states' balance sheets, they can well afford to pursue their capital expenditure programs.

I compare that to the silly statements of the Leader of Opposition on *Stateline*, when he said:

There is no such thing as good debt. In good times you cannot afford that debt.

He says that that is right, but the guy sitting next to him, who has actually run a government business, just said that he borrowed money for capital works—

Mr HAMILTON-SMITH: We would all prefer not to have debt.

The Hon. K.O. FOLEY: Would we? Have you got a mortgage on your house?

Mr HAMILTON-SMITH: In fact, Howard and Costello have done rather well in providing for the future of the country without borrowing. In fact, they have gotten rid of debt, Kevin—something that you are incapable of doing.

The Hon. K.O. FOLEY: Have you got mortgage on your house?

Mr HAMILTON-SMITH: We are asking the questions—

The Hon. K.O. FOLEY: No, have you got a mortgage on your house?

Mr HAMILTON-SMITH: —and we would like some answers from you.

The CHAIR: Order!

Mr HAMILTON-SMITH: And I can tell you: any mortgage that South Australians have they would rather not have.

The CHAIR: Order! The Leader of the Opposition will restrain himself.

The Hon. K.O. FOLEY: They are financially inane comments. Good luck to the Leader of the Opposition. I am not prying into his financial position, but my guess is, like most of us, he has a mortgage on this house. So, therefore, some debt is good, but other debt is not good. I will just repeat what Standard and Poor's said—

Mr HAMILTON-SMITH: Nobody wants a mortgage on their house, Kevin. They would all like to own it freehold.

The Hon. K.O. FOLEY: But, as Steve said, that is how you run businesses. Do you know that BHP has \$10 billion of debt? Is that a bad thing?

Mr HAMILTON-SMITH: No.

The Hon. K.O. FOLEY: Boom, boom! He just said that BHP can have debt, because that is not a bad thing. Martin, you are all over the shop. You say whatever comes into your head, and you make a goose of yourself, honestly, on financial matters. On 7 June—

Mr HAMILTON-SMITH: Madam Chair, we have had numerous rulings that members cannot refer to other members as animals. That has been enforced by the Speaker. Can you ask him to withdraw it?

The CHAIR: Leader, when you interject and interrupt, you can take what comes.

Mr HAMILTON-SMITH: No, that is not the situation Madam Chair, just get him to withdraw it.

The Hon. K.O. FOLEY: I apologise for calling you a goose. I did not realise that you had a glass jaw. As I said, I was told yesterday that you were barking like chihuahua. Apparently, I cannot call you an animal, but you are happy to act like one. On 7 June 2007, Standard and Poor's confirmed that the 2007-08 budget was consistent with South Australia's AAA credit rating, reflecting the strength of the

state's balance sheet. The government has demonstrated fiscal discipline and robust financial performance. That is what the independent rating agencies are saying. The scare tactics of the Leader of the Opposition do not do his credibility any good. I am happy to be questioned and criticised for errors. I am not prepared to be criticised by a leader of the opposition continuing to state untruths.

Mr BIGNELL: I refer to Budget Paper 4, Volume 1, page 3.10—sub-program 1.2. Does the budget maintain the government's commitment to responsible financial management?

The Hon. K.O. FOLEY: Absolutely. The 2007-08 budget continues the government's record of responsible financial management, as has been outlined in earlier statements by international credit rating agencies. The budget provides increased expenditure in priority areas, continues investment in rebuilding state infrastructure and delivers significant reductions in payroll tax to South Australian businesses, while maintaining a fiscal outlook that supports the state's AAA credit rating. The budget delivers net operating surpluses in every year, rising from \$30 million in 2007-08 to \$278 million in 2010-11. The net operating balance is an accrual measure of whether revenues are sufficient to meet the expenses, including interest, depreciation and accruing superannuation expenses, incurred by the government in delivering services to the public.

That is an important point, because the Leader of the Opposition consistently tells this untruth about the cash balance. The method of reporting that as one of the fiscal targets was done away with by Rob Lucas. It was Rob Lucas who brought in accrual accounting—it may have even started with Stephen Baker. But, certainly, whilst Rob Lucas was treasurer, accrual accounting was a measure. The net operating account was to be the measure by which you focused your government's financial position in terms of whether you were in surplus or deficit. The Liberals put those measures in place. For them to bring out the old measure, which is now a measure not used by state governments—the federal government still uses it; we do not—really is misleading and quite untrue. It is not recognised as a measure in terms of the people who view our budgets, yet they bring that one out of the dungeon where they put it seven or eight years ago.

The operating surpluses have strengthened since the 2006-07 mid-year review primarily through forecast increases in GST, taxation and royalty revenue. By delivering strong surpluses, the government has been able to fund record levels of strategic infrastructure spending while constraining the need for new borrowings and maintaining net debt at prudent levels.

You cannot build a hospital, or even if you were to rebuild the existing Adelaide hospital, out of your net operating account. You would not have enough money. The Leader of the Opposition, who plucked a figure out of the air on *Stateline* and said that he could do it for \$800 million, then walked in here and said it is somewhere between \$200 million and \$700 million less. He is just plucking numbers out of the air. Even if he were right, which he clearly is not, if you are running surpluses of \$200 million or \$300 million, which are pretty robust for South Australia, where do you find the levels of capital that he would want to spend? You cannot. So, those projects would never be delivered—that is the mathematics of a budget.

What he is saying is that if he were not going to have debt, he would not have the capital spend that we have, otherwise

he would have to cut drastically—\$500 million or \$600 million or more out of services to fund his capital—and that is where his mathematics is illogical. Of course, he is hoping people will not put the pressure on him on that and that he will just get away with his ‘say anything at anytime statements’ and that becomes his financial position.

Capital investment spending is expected to average more than \$1.1 billion per annum for 2007-08 to 2010-11. Net capital investment expenditure grows to around twice the level of annual depreciation, representing repeated significant annual growth in the state’s asset stock. Because of significant capital investment programming included in the 2007-08 budget, there is a net borrowing requirement each year across the forward estimates—\$428 million in 2007-08, moderating to \$314 million in 2010-11. The net borrowing requirement, or net lending deficit, is measured as the net operating balance less net capital investment, capital investment less depreciation. Net borrowing is a measure of where the revenues are sufficient to cover expenses and net capital investment. The budget maintains a sound financial position while providing for increased services and improved infrastructure to meet the current and future needs of all South Australians.

Mr HAMILTON-SMITH: Treasurer, can you explain how it is that in these buoyant economic times over the last five years, during which your revenues have grown by 48 per cent over a period when, to be perfectly frank, Billy the Goose could balance a budget—

The Hon. K.O. FOLEY: A point of order, Madam Chair: I take offence at being called an animal. I thought that was unparliamentary.

Mr HAMILTON-SMITH: Anyone could have balanced a budget in this time. How is it that the Howard federal Liberal government in the same period that you have been Treasurer has cut taxes extraordinarily, reduced debt—in fact, got rid of \$96 billion of it—and provided funds for the future in the same period that you have increased tax revenues by 48 per cent? You are running up debt tenfold and you are providing no funds for the future whatsoever—you are just scraping in. If you are such a brilliant financial manager, how is it that they have managed to do all those things, yet you have managed to do none of it? Could you just explain how it is that you need to put taxes up, run up debt and provide nothing for the future?

The Hon. K.O. FOLEY: I am clearly going to have a headache before this day finishes.

The CHAIR: I need to point out to the Leader of the Opposition that the relevant standing order that applies today is standing order 268, part 3. Perhaps he may care to reference it to see what questions are in order. I will continue to allow the Treasurer to respond to questions that are out of order. However, I point out that that question also was out of order, which means the Treasurer has wide liberties in the way he responds.

Mr HAMILTON-SMITH: A point of order, Madam Chair, if I may: we had three questions a moment ago from members opposite that bore no relevance whatsoever to the budget line, yet you allowed them. You did not pull them up; now you are pulling me up.

The CHAIR: We had two questions that did not refer to the relevant budget line.

Mr HAMILTON-SMITH: If it is all right for them, it is all right for us.

The CHAIR: Order! None of your first bracket of questions referred to the relevant budget line. I allowed them, so I also allowed similar treatment on the other side.

The Hon. K.O. FOLEY: I am not going to take offence at him calling me a goose. Apparently his glass jaw gets shattered by that: mine does not. Again, it is an untruth. I am tempted to use the word, then withdraw it and apologise, but this guy just does it completely—it is just his form. You just tell naughty, naughty untruths consistently. We have cut taxes significantly and—

Mr GOLDSWORTHY: The answer is 10 000 public servants.

The Hon. K.O. FOLEY: What is your name? Goldsworthy? Sorry, we hear so little of you. The Howard Liberal government has put money into the Future Fund by selling Telstra. That is not a hard thing to do: if you want to put \$50 billion into a future fund, you sell an asset for \$50 billion. I do not think that Australians, overall, were happy with that but, anyway, they did that. They talk about taxes. The Howard Liberal government is the highest taxing at a national level in this nation’s history.

Mr HAMILTON-SMITH: So are you—the highest taxing state government.

The Hon. K.O. FOLEY: Because that is what happens with economic growth.

Mr HAMILTON-SMITH: That is a silly comment.

The Hon. K.O. FOLEY: Hang on. He just accused me of being the highest taxing state; I have just pointed out that the federal government is the highest taxing federal government, and he said, ‘Yes. That is right.’ Then he throws it back to me and says that we are the highest taxing state. I do not know where that argument gets anyone, to be honest. Yes, the Howard Liberal government is the highest taxing government. The GST has provided a significant windfall of revenue to the states, and it is being used to meet the ever-increasing demands of service delivery in the states. But do you know the other tax that has significantly boomed for the commonwealth? Company tax. If you have a look at the share of taxation as a proportion of gross national product, the commonwealth far exceeds that of the states. So, as the share of the economy grows, the proportion of taxation grows, and the recipient of that growth is largely the commonwealth. The GST has not grown and provided the increased revenue to the states to the same extent that payroll revenue and federal government taxes have given the federal government.

This is getting a little technical, but on this side of the table we talk all day about this stuff—vertical fiscal imbalance. It means that the federal government is doing better financially in terms of receipts out of the growing economy than the states. Why that becomes a particular concern to the states is that the single biggest threat confronting this state is the ageing of our population. The increased health expenditure is growing at around 7 to 9 per cent compounding per year. That is just people who are coming into our hospitals wanting treatment, and it is growing at that rate because we are an ageing population.

Couple that with the fact that the commonwealth used to fund hospitals 50:50, which is now closer to 40:60 (40 per cent the commonwealth’s way and 60 per cent our way), and we are funding the vast majority of that growth. The leader keeps saying that we are awash with cash, that we have all this money, and asking what are we doing with it. We are putting it into health. That will be the nightmare scenario for state governments in decades to come. If the leader is ever Treasurer the next time around, the time after, or whenever

it may be, I will have sympathy for him, because at present the galloping cost of health is consuming every available dollar that we can find, and it does not look like slowing down.

One might assume that revenues do go back to a normal consistent growth. I mean, GST will not continue growing at the rate it has; it has to start to mirror a fraction above inflation—a more steady figure. You just imagine when your revenues are running at 3 per cent and a third of your budget is running at 7 to 9 per cent, and that third one day will be a half and one day it will be three quarters: that is a nightmare scenario for all state governments in this nation. It is the front and centre topic of discussion at every treasurers' conference. We are doing the best we can. That is why we are reforming our health system, that is why we are investing in new technology and that is why we are reallocating and reprofiling our services around our hospitals so that we can keep people out of hospitals through GP Plus clinics and other measures, such as in-home care, and making our hospitals more efficient and more tailored for the times. We are doing the best we can but, make no mistake about it, as your government did in the past, as this government is doing today and as you may well do in the future, the nightmare scenario of health is ever present in terms of how we fund it.

Mr HAMILTON-SMITH: I acknowledge the pressure the Treasurer is under in regard to expenses. I note that, since this government came to office, he has increased expenses by 40 per cent in the last six budgets, but you can spend only what you have. Is it not the case, Treasurer, that what you are doing is borrowing up to \$3.4 billion by 2010-11 during buoyant economic times when revenues are strong? What will happen when and if there is an economic downturn? The revenues contract, right? You have ratcheted up the debt. Suddenly you have the cost pressures that are still there and your revenue starts to evaporate.

Are we not then back in the situation with which we were faced in 1993 when we finished up with \$300 million of a current account debt per year and \$11.5 billion worth of debt? You then have to borrow to pay your recurrent costs because your revenues have dried up. Is that not the risk we are taking by borrowing in these buoyant economic times, and more borrowing will come—and we will hear more about that later once the hospital is under way—

The Hon. K.O. FOLEY: There are more borrowings to come—a lot more.

Mr HAMILTON-SMITH: You know, if you borrow when the times are good, you have plenty of cash and suddenly the cash evaporates, you are in trouble. Is that not a liability or risk to which you are exposing us?

The Hon. K.O. FOLEY: No, it is not: it is about prudent financial managing. We have surpluses, Martin. The fact is that we are taking on that debt, and the debt will go higher as the bulk of the hospital gets built. That will be a lump for a few years, and the capital budget will then recede rapidly back to much lower levels. We have to digest the cost of the hospital. So, in forward estimates you will see a higher level of debt as we digest the costs of the hospital. We will then rapidly bring back the capital program to a lower level as we have digested the cost of the hospital. That is why we are running surpluses of \$200 million and \$300 million: it is for that very reason.

If you run strong surpluses you have the capacity and the contingency in place should the economy turn down. I have shown consistently that I have kept the budget in a strong, healthy surplus. That is how you manage that risk. It is

grossly misrepresenting, and this is where I get really frustrated with the leader: it is one thing to make a financial hit on the government and it is another thing to pick the government up for its faults, but it borders on reckless and irresponsible when a financial spokesman for the alternative government—who is also the leader—tries to paint a picture based on false statements and untruths.

Referring to this debt as akin to the State Bank debt is deliberately reckless, deliberately damaging, totally wrong and a massive untruth. However, the leader feels comfortable in doing that, so he will have to reflect on his conscience. The situation in this state is nothing more than what every other state government is doing. As I saw in Queensland the other day, we are borrowing one hell—

Mr HAMILTON-SMITH: They are all borrowing, that is exactly right.

The Hon. K.O. FOLEY: Right. So, you are a smarter operator than all the state treasurers around the country. Look, Martin, I accept that you are a brilliant man and that you can do a better job. Good luck when you get the chance.

Mr HAMILTON-SMITH: Let us get back to education. The \$16.3 million the government is hoping to extract from education as savings under the 'small programs' budget line was part of the \$165 million of cuts. Will the Treasurer guarantee that the money with respect to aquatics and music programs (which were discussed yesterday in terms of relief) will still not be required of education? Again, it is similar to the question about workers compensation. Can we now be assured—

The Hon. K.O. FOLEY: Madam Chair, that is a question for the education minister. I do not have all the portfolio items in front of me. The leader should ask the education minister that question.

The CHAIR: It is certainly a question for the education minister.

Mr HAMILTON-SMITH: We will move on to the hospital. You mentioned a moment ago that debt would need to increase further once the hospital was under way.

Mr BIGNELL: Which budget paper?

Mr HAMILTON-SMITH: Budget Paper 5, page 34. The Treasurer made comments to the house on 19 June in relation to financing of the Marjorie Jackson-Nelson hospital and said the following:

We are now going into a body of work where we will make an assessment as to whether it will be a direct bill by government or a PPP (public-private partnership). I have publicly stated that it is my preference for it to be a public-private partnership, but a piece of serious work needs to be undertaken to ensure that that is the best procurement model for government, because it maybe, as we analyse further, that a direct procurement program is a better option for a variety of reasons. In terms of the framing of the budget, we have assumed that it is an on-budget capital bill program by government. That is what we have factored our budget around.

I note that the Treasurer made similar comments in the media following the budget. Can the Treasurer tell the committee, given this conflicting message in that we are not sure whether it will be a PPP or a government—

The Hon. K.O. FOLEY: It is not a conflicting message, Marty.

Mr HAMILTON-SMITH: Well, there is uncertainty as to whether it will be a PPP—

The Hon. K.O. FOLEY: It's not a conflicting message; there is no uncertainty, Martin, come on. Let's have a legitimate, mature debate and discussion. Let's not play nonsense politics.

Mr HAMILTON-SMITH: Well, it's not the case. You have clearly indicated your preference for a PPP, but you are saying that you are going to budget for it to be built by the government, at government expense. That is a conflicting message. You may not see it that way. But that doesn't line up whether it is going to be a PPP or—

The Hon. K.O. FOLEY: No, you're right, you're smarter than me—

Mr HAMILTON-SMITH: What I want to know is: what constitutes the 'variety of reasons' that you mentioned to the house, that may favour a direct procurement, and what is your preference for the method of actually financing the new hospital if it is to be a PPP? Which PPP model do you prefer? So, what are the 'variety of reasons' that may lead to it being a government bill and, if it is not going to be a government bill, which PPP model do you prefer?

The Hon. K.O. FOLEY: What do you mean which PPP model? I don't understand that bit.

Mr HAMILTON-SMITH: Well, you explain to the committee—

The Hon. K.O. FOLEY: I will answer your question, but what do you mean by 'which PPP model'?

Mr HAMILTON-SMITH: Well, I am asking you a question, Treasurer. I will repeat it again—

The Hon. K.O. FOLEY: I am just asking for clarification.

Mr HAMILTON-SMITH: —because you obviously do not understand the question.

The Hon. K.O. FOLEY: No, I don't.

Mr HAMILTON-SMITH: It is either going to be a government bill—

Mr BIGNELL: You don't understand what you are talking about.

The CHAIR: Order! The Treasurer has asked for clarification of the question.

Mr HAMILTON-SMITH: You said, Treasurer, it is either going to be a government bill or it is going to be a PPP. You are saying that you are budgeting on it being a government bill, you will have to pay for it yourself, and I am asking what are the 'variety of reasons' that will eventually lead you to a decision on whether it will be a government bill or a PPP? What are the 'variety of reasons' you referred to? If it is going to be a PPP, how will that work?

The Hon. K.O. FOLEY: I am happy to answer it, quite calmly, Marty, quite openly, but you asked what 'variety' of PPP would I use. I didn't understand that. Can you just explain what you meant by that?

Mr HAMILTON-SMITH: Can you explain to the committee: if it is going to be a PPP, what will be the financial model? How will that work?

The Hon. K.O. FOLEY: What did you mean by 'variety' of PPP? To me, there is only one variety of PPP.

Mr HAMILTON-SMITH: Well, you tell us; you're the Treasurer. The Premier said he had been to see Macquarie Bank to discuss it. What I am really wanting to know is what were those discussions with Macquarie Bank? How will the financial model work? What PPP model do you prefer?

The Hon. K.O. FOLEY: Is that another question?

Mr HAMILTON-SMITH: I will have another go; the Treasurer is really struggling with this.

The CHAIR: Order!

Mr HAMILTON-SMITH: Do I need to explain it again?

The CHAIR: Order!

The Hon. K.O. FOLEY: I will answer it, Madam Chair.

The CHAIR: The Treasurer will answer the question as he has understood it.

The Hon. K.O. FOLEY: I was just trying to be cooperative and helpful and I just wanted him to explain to me what he meant by 'variety' of PPP, and what is evident to me is that he had no idea what he was talking about. Madam Chair, the development process to determine whether the new hospital may be deliverable as a PPP will follow the standard process adopted by other states in developing PPP proposals. The departments of Health, Treasury and Finance will commence the process by establishing a project team to commence with the development of the PPP business case, drawing on external expert assistance if required. The business case identifies the key elements of what would be required to establish a successful PPP contract, including:

- reviewing precedent hospital PPPs in Australia and overseas to identify current best practice in delivering hospitals through a PPP arrangement;
- refining the project scope and expected capital and lifecycle costs;
- defining the services to be deliverable by the private sector, including hospital accommodation and infrastructure services in the form of an output specification;
- developing a preliminary risk allocation between the public and private sector to identify the key risks that may be managed by the private sector;
- identifying the key performance criteria for the PPP operator;
- completing the final model for the project, which would be applied as the project benchmark should it proceed as a PPP, and to identify the potential value for money from a PPP delivery based on the risk assessment.

The business case will then be referred to cabinet for a final decision on whether a PPP delivery is feasible and the right way to go. If PPP delivery is the preferred procurement approach, the second stage is to develop the project brief and contractual documentation incorporating the information from the business case and feedback from potential proponents through market testing processes. The procurement would then follow the standard tender process for PPPs in Australia. A request for proposal would be issued to short-listed bidders, following an issue for expressions of interest, and a PPP contract negotiated with the preferred bidder.

The estimated time frame for the entire process is: site clearance and clearance of any contamination should commence in approximately 12 months following the removal of the railyards. The business case development will proceed in parallel with site preparation works, with completion expected by December 2007, and the preferred bidder should be selected by December 2009. Initial works, including car parking, to commence in early 2010, with the hospital construction to be completed in the years 2011 to 2016. These are preliminary estimates which will be refined during the development of the business case.

This is the standard way you do these things, leader. What you do, and we have done this with prisons and other projects, is firstly identify the need for the project; you make that decision and you then cost the project with the best available expertise you have available to you. In this case, with the hospital, we brought in external people to review our work and then, from memory, we brought in a further group to further review their work to come up with a base parameter cost, and we topped that out at \$1.7 billion. We included that in the budget and, having made that decision, we will now move quickly—or as quickly as is prudent. You actually do

a business case, and the business case is to ask the question: is direct procurement better value for money for government, or is a PPP delivery model better value? You do not make a decision on PPPs based on a gut feeling, and you do not make it based on a philosophical view. You make it based on a sound, rigorous business case as to what is the best deliverable model. I have a strong preference for PPP, but it may be that is not the answer. I will have to wait to see the outcome of a business case. This is a \$1.7 billion complicated, complex, state-of-the-art, multi-user facility involving a lot of issues which perhaps are not common to other PPPs. So, we need to have a look at all of that.

We did that exercise for prisons, and we have gone with PPPs. We did that exercise for schools, and we are doing some schools PPPs and some schools not PPPs. If you look around Australia now, you see that a number of hospitals are being established through direct build from government because, in their view, that is the best way to deliver it. But, equally, there are hospitals now being built of similar size by PPP because the business case said that was the right way to go. So, there is no perfect way—or no absolute way—of delivering these projects; they have to be stacked up by a business case. I hope that answers your question.

The CHAIR: The member for Mawson.

The Hon. K.O. FOLEY: I am happy to defer, if my colleagues are agreeable, to give the leader all the questions, because I want to be open and accountable.

The CHAIR: Members on my right, you are happy to defer?

Mr HAMILTON-SMITH: Thank you. Do I take it from your answer to that question then that, if a PPP model is chosen, the entire \$1.7 billion cost of the hospital would form part of the PPP arrangement—that there might not be some contribution from the state? Secondly, can you clarify, in the PPP case, whether the private sector will own the hospital; how will their use of the land be protected in that situation; and will they own and operate the building?

The Hon. K.O. FOLEY: I say this quite sincerely: I think it would be good for the Leader of the Opposition to be briefed on what PPPs are because, clearly from his question, he does not understand. I do not mean that in a derogatory way, because he has only been shadow treasurer for a certain period.

Mr HAMILTON-SMITH: That is a condescending remark.

The Hon. K.O. FOLEY: No, it is true, Marty. I am not being condescending. You clearly do not understand what is the concept and the characteristics of a public-private partnership, and that is fine. I am happy to help you to come up to speed.

Mr HAMILTON-SMITH: The Treasurer well knows that public-private partnerships take many different forms.

The Hon. K.O. FOLEY: Like what?

Mr HAMILTON-SMITH: I am asking the questions. We are not going to engage in some sort of banter, at the Treasurer's discretion, about PPPs. I am asking you whether you know what a PPP is and whether you know what PPP model you want to use. I am doing that in the best interests of the taxpayers of South Australia. You are the Treasurer who signed off on the Northern Expressway, saying that it would cost \$300 million, and it cost twice that.

The CHAIR: Order!

Mr HAMILTON-SMITH: Now it is going to cost \$1.7 billion for a hospital.

The CHAIR: Order!

Mr HAMILTON-SMITH: I want to know whether it is going to work.

The CHAIR: Order, the leader!

Mr HAMILTON-SMITH: So, will the private sector—

The CHAIR: Order, the leader! When the chair calls for order, the leader will come to order.

The Hon. K.O. FOLEY: Your mate is up there in the gallery. He will give you a good rap this week.

The CHAIR: The estimates are not about theoretical questions concerning what the Treasurer knows. The Treasurer was seeking clarification of the question. It is better to do that through the chair, Treasurer. You may wish to provide some further information.

The Hon. K.O. FOLEY: I just do not understand what the leader means when he says 'a variety of PPPs' and 'which model of PPP'. PPPs are one model; the one concept. There is not a raft of options you pick off the shelf. This is not condescending but, if we are going to have a decent debate between the Treasurer of the day and the shadow treasurer, it would be good if we both understood what it is we are debating. So, I am happy to get that briefing for the Leader of the Opposition. We are not putting in a capital contribution. I do not understand: the leader said that we are putting some of the \$1.7 billion into it.

Mr HAMILTON-SMITH: For example, are you going to contribute the land at your cost? You are spending \$157 million to remediate the land. Who will own the land, who will own the building, and how will the financial arrangements work? What financial arrangements do you prefer? This is a significant amount of money for the taxpayers.

The Hon. K.O. FOLEY: The government owns the land. It has not been determined, but I guess it will be a long-term lease. If it is not Crown land, it is government-owned land so, given the strategic nature of the land, my guess would be that we will enter into a long-term lease. However, the whole PPP concept is about the consortia owning the building. That is the PPP; they have to own the building. I will try to explain a PPP. A public-private partnership is where you make a decision that the private sector should build, own and operate a facility. The government is at liberty, should it so wish, to put its services into that facility, as we are doing with the prisons. In some prison PPPs, there is no government involvement whatsoever; even the prison staff are outsourced to the private sector. Our model will be that the custodial services will remain the service of the state, but the balance of—

Mr Hamilton-Smith interjecting:

The Hon. K.O. FOLEY: Sorry; do you want an answer or—

Mr HAMILTON-SMITH: Nothing we are discussing interferes with your ability to answer, Treasurer. We are listening intently.

The Hon. K.O. FOLEY: I am just a bit fussy. If you are going to listen, I will talk. If you want to talk among yourselves, I will not waste my time.

Mr HAMILTON-SMITH: We are listening intently and with bated breath.

The Hon. K.O. FOLEY: Well, that is pretty condescending. I do not think you are interested in the answer, but I will try, anyway. The hospital concept will most probably be a long-term lease on the site (and I put a caveat on that because we have not done the business case) to a consortia that will involve probably a major builder; it will involve a major financier; it will provide a facilities management company.

So, what happens is this. Let us say, for argument's sake, that Smith Construction Company teams with ABC Finance Corporation, and Martin's Facility Management Company comes into the mix. They will probably provide the care and maintenance of the building. They will provide, quite possibly, certain hotel services (as they love to call them), such as food, linen and whatever else. That is to be determined, but the medical staff, the medical side of the hospital, remains with government.

It becomes an off balance sheet item, so the government itself does not incur the debt. All this debate we are having about debt becomes somewhat irrelevant. The debt is held by the private sector and we, effectively, take a long-term lease payment over it. Do not hold me to these numbers, but you might have a lease payment of \$150 million a year, \$100 million, or whatever it might be. That gets accounted for in your operating surpluses, so, all of a sudden, your net lending position improves significantly. Your net debt position, which you are making an issue of, is taken out of the equation completely and becomes an operating expense, just as an operating expense would be for teachers, police and other operating expenses of government.

What I like about a PPP is that you get a degree of fiscal rigour. You get a degree of transference of risk, so the price risk is transferred to the private sector. The issue of cost overruns and error, in terms of estimating and delivering a project, that risk is transferred to the private sector. Indeed, I would argue that the facility is maintained much better than the public sector would maintain it. Historically, every government, Labor or Liberal, when in financial difficulties, needs to find money for other purposes because of recurrent pressures. Look at the Royal Adelaide. Governments have not maintained that hospital—your government, our government or previous governments—to the extent they should have because the pressures were on the recurrent side. If you have a PPP, that piece of infrastructure will be maintained so that you have a very good work environment.

That is what I like about PPPs. However, they not magical or mystical things. They are not a cocktail. You do not have a PPP if you stick in a whack of capital. That might then become a different type of procurement method. A PPP model is about transferring it all to the private sector.

Mr HAMILTON-SMITH: So, what you are explaining to the committee, as I understand it, Treasurer, is that you envisage leasing this section of the Parklands to the private sector. It then builds the hospital, owns and operates it (including, I imagine, all building services, etc.), and we lease it back in a financing arrangement. If that is what you are explaining, essentially it is a privately owned hospital that we are leasing. I do not find that particularly extraordinary, and I know that you do not either. It might be quite a viable model, but it does not sit very well with the Premier's pledge that there would be no privatisation of our hospitals and that there would be no privatisation.

If you are building a hospital on the Parklands that is leased to them, and they own it and operate it, it is a privately owned hospital and you are paying a financing fee to use it. It is a privately owned hospital. It is a privatisation of a hospital (the RAH), which is currently government owned, is it not?

The Hon. K.O. FOLEY: A privatisation of a hospital is when you sold Modbury and contracted it out for a long-term lease. The doctors and nurses all worked in the private sector. It is quite common for governments not to own buildings but to have its public servants in it. A lot of government buildings

where our public servants go to work every day are owned by the private sector. Is that an issue? It is not privatisation.

Mr HAMILTON-SMITH: It is not an issue for me, but I am not the premier who made a pledge that he would not privatise our hospitals.

The Hon. K.O. FOLEY: Well, he hasn't, Martin, come on. This is where I keep coming back to this tactic of yours of saying untruths, and it is somewhat illogical. I remember the *Stateline* program. It was one of the more bizarre interviews and debates I have ever done. You were all over the shop. One minute you were—

Mr HAMILTON-SMITH: You were all over the shop as well, I have to say.

The Hon. K.O. FOLEY: Well, reports suggested that—anyway, I do not have an ego, so I do not need to talk about my performance. The point is that you made this ridiculous remark that we are privatising a hospital and that it would be owned by bankers in Zurich or somewhere in Switzerland.

Mr HAMILTON-SMITH: Which one is it going to be—Macquarie Bank?

The Hon. K.O. FOLEY: Sorry?

Mr HAMILTON-SMITH: The Premier said that he had spoken to Macquarie Bank about this project. Is it the preferred PPP partner? He indicated that he had met with Macquarie Bank about this project.

The Hon. K.O. FOLEY: Martin, you are showing not just ignorance but also a blatant, deliberate disregard for the sorts of things a treasurer should be saying. You are asking me whether Macquarie is our preferred bidder. We have not even done a business case to decide whether we are doing a PPP. What do you mean: are they our preferred bidder? What a silly thing to say. I do not understand that.

Mr HAMILTON-SMITH: The Premier indicated to the house that he had spoken to Macquarie Bank about this very project, so I am seeking details and information.

The Hon. K.O. FOLEY: Hello, breaking news! I have spoken to ABN AMRO. I have spoken about all the PPPs we are doing. I have spoken to Baulderstones. I have spoken to Macquarie. I have spoken to various of the banks, such as Westpac. I have spoken to many more. That is what happens. That is what happened when you guys decided to sell ETSA. Finance companies, banks and consultants come out of the woodwork at a million miles an hour. They all want to lob on your desk, and they all want to know what is happening. There is a certain period of time when that is the appropriate thing to do. We have not decided whether this will be a PPP. I have met Pat Conlon, various ministers and the Premier. A lot of us have met with these varying companies. They want information, and they want to know what you are doing.

What we are doing with the PPPs for the prisons and the schools is that we are going to what is called a 'market sounding' exercise in the next few weeks, where we will start to put to the market more definitive detail of what we are doing. I will not put an absolute on this, but I do not intend for me, the Premier or other ministers, to continue to meet these people once we start the appropriate processes with the PPP. You reach a point, for probity reasons, where you no longer meet with these people. In a lot of these projects, we have not reached that point. However, we are getting close to it with the prisons. You have to make a judgment as to where you rule that off. The hospital is a maybe as a PPP.

You talk about meeting people. I spoke at a PPP conference on Tuesday morning in Brisbane, and there were 50 or 60 people from the finance and building sector. I would not know who half of them were. We gave them stock-

standard information as we have available. What I have said to you today is probably more detail than what we have probably said privately to any banker. So, as the time is right, we can start to release more and more information. There is no preferred bidder. That is nonsense. It will be a very open, competitive and robust tendering process from which the elected government will keep right away, until Jim Wright and his team come to me with a preferred tenderer. That is when we will take it to cabinet.

[Sitting suspended from 12.30 to 1.30 p.m.]

Mr HAMILTON-SMITH: I refer to Budget Paper 5, page 34, still on the Marjorie Jackson-Nelson hospital. We have heard from the Treasurer in regard to a public-private partnership. I want to turn to the prospect of its being a government borrow and build and, in particular, refer to the Treasurer's comments to the house on 19 June, when he said:

In terms of the framing of the budget, we have assumed it is an on-budget capital build program by government. That is what we have factored our budget around.

Can the Treasurer advise the committee how much of the cost of the new hospital is encompassed in the increases in debt estimates shown in this budget on either the general government side or the non-financial public sector side and, if it goes ahead as a government borrow and build, how much more debt, and over what approximate time frame, would he envisage being accrued?

The Hon. K.O. FOLEY: That is all in the budget papers. In the forward estimates that are published here, the hospital has \$213 million, as we said on budget day. The vast bulk of the build will be in the out years, and those debt levels and budget impacts will be forecast in future budgets. How much of the remaining \$1.5 billion that will be reflected in debt will be determined then, but I said quite clearly on budget day, in press conferences, in the house and today that the debt levels will rise as we absorb the cost of the hospital and we digest a very significant lump of capital over a three or four-year period, as against the alternative, which was to rebuild the existing site. That would have turned the Adelaide hospital where it sits into a construction site for in excess of 10 years, which would have made it a terribly difficult place to work and would have been a horrible place to go for treatment, with construction works going on. Debt levels will increase. No doubt you will increase your scare tactics. It is not a bad thing, and it is all there in the budget papers.

Mr HAMILTON-SMITH: Can I take it from that answer that the plan at this point would be to borrow the entire amount, that is, the amount that is already provisioned and the remainder, up to \$1.7 billion?

The Hon. K.O. FOLEY: It will depend on the shape of the budget when we frame it as to how much in borrowings will be required and how much will be serviced from our recurrent expenditure. You cannot automatically assume that we are going to borrow the \$1.5 billion that is remaining. It may well be a mix of borrowings and contributions from our net operating surpluses, and that will depend on the size of those surpluses and competing demands. We cannot predict what the debt levels will be going forward until we frame each and every budget going forward.

Mr HAMILTON-SMITH: Budget Paper 5, page 34, still in regard to the Marjorie Jackson-Nelson hospital being financed through a public-private partnership. If it is a PPP, that will effectively free up about \$1.46 billion of government finances, being the \$1.677 billion less the \$212 million you

have just mentioned—for other infrastructure projects. What would be the likely annual payments to be met by the government for the PPP hospital, and over what term? Do you have any idea at this point?

The Hon. K.O. FOLEY: A couple of things need to be said there. First, I cannot tell you what those payments will be or what the term will be because we have not even decided if that is what we will do. It is not avoiding the question but, until we decide to go with the PPP and we go to the market, I have no idea what the recurrent payments will be. I put a number out there before, which was just a number plucked out of thin air. That will be the first and last time I do that. We are going into a competitive process, and let us let the market determine that. I do not know what it will be. Clearly it will be a long term. You made a very disturbing comment at the beginning that, if this is a PPP, we somehow have another \$1.5 billion of capital available to spend on other things. In a sense, is that what you said?

Mr HAMILTON-SMITH: I'm asking you.

The Hon. K.O. FOLEY: I am asking you: is that what you said in your question?

Mr HAMILTON-SMITH: Well, it would free that money up.

The Hon. K.O. FOLEY: Madam Chair, this is where—and I really hope the media can concentrate on this because—

Mr HAMILTON-SMITH: Treasurer, you can spend whatever you like. If you chose to, you could commission another PPP or go down another road. These are choices you have before you.

The Hon. K.O. FOLEY: Madam Chair, this shows the ignorance and lack of financial acumen of the Leader of the Opposition. If we go for a PPP and its notional value is \$1.7 billion, whether we pay for it as direct servicing of capital or a mixture between capital and operating, or whether we go for a PPP, it is \$1.7 billion. Just because you have a PPP and it goes off budget, that does not then mean you have another \$1.7 billion available. I might add that it depends on the accounting treatment. It does not necessarily mean it will go off budget. There are some hurdles to be got over. You have spent \$1.7 billion. Whether you spend it by borrowing \$1.7 billion or whether you spend it by contractually entering into an arrangement to service \$1.7 billion worth of debt from the private sector, you have spent \$1.7 billion. You do not have another \$1.7 billion available. That just goes to the point I made from the very outset, that the Leader of the Opposition is lacking in financial acumen and he is making reckless and damaging comments.

Mr HAMILTON-SMITH: You just don't like questions, do you, Kevin?

The Hon. K.O. FOLEY: No—

Mr HAMILTON-SMITH: You just don't like being asked, do you? If he's serious—

The CHAIR: Leader, order!

The Hon. K.O. FOLEY: Madam Chair, I'm answering—

Mr HAMILTON-SMITH: Is he answering a question or is he just engaging in debate?

The Hon. K.O. FOLEY: I'm answering the question. It was a silly, ridiculous question that exposes for everyone to see the lack of understanding of budgetary finances by the shadow treasurer, the alternative premier. Just because you do a PPP does not mean you have got \$1.7 billion available then to spend on other things. If that is the way he chooses to frame a budget, this state will be massively in debt extremely quickly through reckless borrowings. You are committed to \$1.7 billion, whether it is on budget or off budget. It is a silly

question that really goes to the heart of your lack of knowledge and understanding. Rob Lucas would never have asked such a silly question.

Mr HAMILTON-SMITH: The stupidity and the silliness is sitting right there in that chair, Madam Chair, if he wants to engage in that sort of abuse.

The Hon. K.O. FOLEY: Well, it was a silly question.

The CHAIR: Order!

Mr HAMILTON-SMITH: Let me put it to you this way, Treasurer. If you are choosing, as you say you are, to spend \$1.7 billion on health—in fact, I think I have heard figures like \$2.2 billion on health—if you do not choose to build this hospital, it is feasible that you might—if you are genuine about spending \$1.7 billion on health—spend it on some other health projects. You might choose to do that.

The Hon. K.O. FOLEY: That was not the question. Now the leader is saying ‘if I didn’t build a hospital’. This is where this guy slips up time and time again: he forgets what he says. His previous question was, ‘If you do a PPP and it is off budget, you have \$1.7 billion available.’ I caught him out and now he is rephrasing it as, ‘If you didn’t build the hospital, you would have \$1.7 billion to spend on something else.’ We are building the hospital.

Mr HAMILTON-SMITH: No, that is not what was said at all.

The Hon. K.O. FOLEY: The other thing is—

Mr HAMILTON-SMITH: You are so desperate to score a few brownie points, you just cannot help yourself.

The Hon. K.O. FOLEY: No; you are tripping up question after question. You are making a goose of yourself. Sorry, I do not like that word; I apologise and withdraw it. You are making a chihuahua of yourself; I apologise for that and withdraw it in case that offends you, even though you apparently mimicked one yesterday, yapping and all. You do not understand the questions that you are asking.

Mr HAMILTON-SMITH: I am very cognisant of the fact that you were a senior adviser for the Bannon and Arnold governments that gave us the State Bank debacle. You were there, a little cabin boy running around on the bridge, and so was Mike Rann. I will tell you what you did then, and this is what you may do now. You may choose to go with the PPP to build the Marjorie Jackson-Nelson hospital, and then you may go back and borrow more debt for other infrastructure projects, because if you can get that \$1.7 billion off balance sheet, or certainly out of your debt portfolio through a PPP, it frees you up to borrow more, does it not?

The Hon. K.O. FOLEY: No, it does not.

Mr HAMILTON-SMITH: Yes, it does, Treasurer.

The Hon. K.O. FOLEY: It does not.

Mr HAMILTON-SMITH: Yes, it does, Treasurer. Last time you left us with \$11.5 billion worth. That is what you gave us last time. It means that you can then go out—

Mr Bignell interjecting:

Mr HAMILTON-SMITH: That PPP will not reflect in your debt portfolio.

The Hon. K.O. FOLEY: This is where I think I will have to get some serious briefing for the Leader of the Opposition, because that is a dumb question and he is fishing to try to justify his earlier silly question.

Mr HAMILTON-SMITH: You want both. You want PPPs and you want more debt.

An honourable member interjecting:

The CHAIR: Interjections are out of order.

The Hon. K.O. FOLEY: Hang on. Madam Chair, I am being accused by this bloke and told that, if I go for a PPP,

I am then going to borrow another \$1.7 billion. That is what he said I could do. That is not what I am going to do. This is where this guy is really coming up short when it comes to any Treasury acumen at all. The rating agencies are not made up of idiots. They do not let governments run away and put all this stuff off balance sheet as though it mysteriously does not appear. It is a liability to the state and, whilst the debt may not appear on your official debt figures, the agency, when rating your state, assumes it is on budget debt; it is a liability you have incurred. The rating agencies would not let you get away with what you are trying to suggest we do.

Mr HAMILTON-SMITH: That is assuming you want to keep your AAA rating.

The Hon. K.O. FOLEY: Oh, come on! You are puerile.

Mr HAMILTON-SMITH: The sad thing—

Mr BIGNELL: You’re an embarrassment.

Mr HAMILTON-SMITH: Oh, Leon.

The Hon. K.O. FOLEY: We have a AAA credit rating and we are going to keep the AAA credit rating. I have been all about the AAA credit rating. Every time I shoot this guy down, he moves the goalposts and makes things up. He says that I am going to get rid of the AAA rating.

Mr HAMILTON-SMITH: Last time you gave us \$11.5 billion of debt. It did not stop you from borrowing back in 1993.

The Hon. K.O. FOLEY: Martin, I was an adviser to an industry minister. As important as you might think I consider myself, back in those days I did not pull any levers. I have apologised for what that Labor government did and I have made many statements about the errors of that government. I was reduced to 10 people in this parliament as a result of the people’s reaction to that. I have lived through the war, I have fought the war, and I have been to hell and back in this parliament when it comes to paying the price of the follies of the Labor government. That is why I am managing this budget much better, much stronger and much more disciplined than the Labor government did under Bannon, or than the Liberals did under two treasurers in their government.

Mr HAMILTON-SMITH: I will move on to other sites examined as an alternative location to City West for the Marjorie Jackson-Nelson hospital. You have given some information about this. I think you have mentioned Keswick. Can you explain again why it had to be City West?

The Hon. K.O. FOLEY: We think that logistically it is the best site. It is a very good piece of open land. It needs to be redeveloped. We thought that putting a public institution on that land would fit the streetscape and the precinct, and it would fit with the views and fears of those who think that we should not have commercial development on notional parkland development. It is extremely well connected logistically. A train station can go underneath the hospital, there will be a tramline at the front of the hospital, and there are great road networks. It is centrally located for the people of the western, northern and eastern suburbs. It is an ideal location; there is none better, in our opinion. I accept that you may have a different view, but that is where we are building it.

Mr HAMILTON-SMITH: What other sites did you examine?

The Hon. K.O. FOLEY: I have no idea. I think they looked at Keswick, but I do not know. I am the Treasurer, not the site manager. I think Keswick might have been looked at, but I think that was ruled out early in the piece. I do not think we seriously looked at the Clipsal site, because it came very late in the piece, but I will just check. The Under Treasurer

said that it was mainly Keswick, but it was too small and the land was not the right shape. It would have been a difficult build on that site. City West is a perfect site. If you want to keep the railyards there, go right ahead.

That brings me to the other point. The Leader of the Opposition is, of course, on the public record as saying that if he gets into government he will seek to renegotiate a contract. The sovereign risk element of that is enormous, and the risk that puts to our state's financial position is enormous. That was one of the most reckless things that any opposition leader or shadow treasurer could say. We are going to the market confident that we will build this project and it will be signed before the next election. If the alternative government is saying that they would renegotiate and would somehow be prepared to pay penalties, this could be an enormous liability for the state. So I hope that the leader will clarify those comments and do a bit of a backflip and pull back from that statement, because it is extremely damaging.

These companies expect to have good relationships with both sides of politics over an extended period. Anything that suggests that the Leader of the Opposition would renegotiate that contract is again incredibly financially reckless. It is what Doyle, the leader in Victoria, did in that state concerning the toll roads. In the end, his own party, which I assume is made up of some fairly financially astute people—and I am sure that Steve Griffiths would not have been silly enough to say this—then forced the leader to do a backflip, and he ended up losing his job. You are playing high-stakes politics, Marty, but more concerning is that you are playing high-risk finances in that statement.

Mr HAMILTON-SMITH: Again, the Treasurer has made a string of statements that he attributes to me which were simply not made. You have added—

The Hon. K.O. FOLEY: Nick is up there in the gallery. I think he wrote the story; you said you would seek to renegotiate the contract. Can somebody find me that article?

Mr HAMILTON-SMITH: Treasurer, you just really astound me sometimes.

The Hon. K.O. FOLEY: I will get the article and bring it down.

Mr HAMILTON-SMITH: You just really astound me sometimes. Any commercial negotiation can occur between parties at any time, but you obviously do not make commercial negotiations if they are significantly financially to your detriment, do you?

The Hon. K.O. FOLEY: Oh, so, now you are not going to renegotiate it?

Mr HAMILTON-SMITH: No—

The Hon. K.O. FOLEY: You are not?

Mr HAMILTON-SMITH: This is the situation: you want to build a hospital, you do not know if it will be a PPP or whether you will borrow and build it yourself. You do not know when you will sign anything. You do not even have a design; you have done no engineering. I do not think you have a clue what you want to build except some artwork in the front of *The Advertiser* and a claim that it will cost only \$1.7 billion. Every financial infrastructure deal which this government has done and on which you have signed off has blown over. You do not have a clue what you want to do.

The Hon. K.O. FOLEY: The only person who does not have a clue is you today, mate.

Mr HAMILTON-SMITH: Let me just say that anything that you have arranged so far I am sure can be renegotiated because nothing has been negotiated. If you have signed something before an election, it is locked in concrete and they

have started work, we are going to get the Marjorie Jackson-Nelson hospital; there is no doubt about that.

The Hon. K.O. FOLEY: So, he has now done a backflip.

Mr HAMILTON-SMITH: No.

The Hon. K.O. FOLEY: I hope *The Advertiser* reports that. I am getting the article sent down to me now. You have done a backflip. You said a foolish thing; you know you said a foolish thing, and you have now done a backflip. This is your problem, Martin; you say one thing one day, and you have to retract it and do a backflip the next day. I hope your side realises how damaging it is to your credibility and to the opposition's credibility to continually do this. You are a reckless leader, who is bringing your political party into serious disrepute.

Mr HAMILTON-SMITH: You know, Kevin, the only foolish words I hear are those that come out of your mouth. You embarrass yourself. You love to get up in question time and have a crack, but when you are questioned and it comes back at you, you just fall apart at the hinges.

The Hon. K.O. FOLEY: Mate, there is nothing coming back at me that I cannot handle, I can tell you.

Mr HAMILTON-SMITH: You have been rolled in caucus over—

The Hon. K.O. FOLEY: There is nothing coming back at me that I can't handle.

Mr HAMILTON-SMITH: The simple—

The Hon. K.O. FOLEY: There is nothing coming at me that I cannot handle, mate. You make Rob Lucas and Iain Evans look brilliant. They put more fear into me than you could ever do, Martin.

Mr HAMILTON-SMITH: It is almost laughable. Let me just say, Kevin, that, if the contracts are signed and the thing is being built, we will be getting the Marjorie Jackson-Nelson hospital.

The Hon. K.O. FOLEY: Oh, good. I will get that article down and we can look at the backflip.

Mr HAMILTON-SMITH: But if you have not signed the contracts—

The Hon. K.O. FOLEY: Just like the backflip on the air warfare destroyer between the Spanish and the Americans.

Mr HAMILTON-SMITH: If you have not signed the contracts, or even if you have entered into some arrangements, if they can be exited from at no cost to the taxpayer, we will consider it. But, clearly, if there is a cost, it is highly unlikely that we will not be able to get out of it.

The Hon. K.O. FOLEY: Madam Chair, this is the recklessness of a man who would be the state's treasurer. Let us say for argument's sake—and I expect those contracts to be well and truly signed by the election—

Mr HAMILTON-SMITH: Then it will be a done deal.

The Hon. K.O. FOLEY: Hang on! Just hear this out for a minute because this is very important. If those contracts are not signed for whatever reason—let us say that we are a bit tardy, let us say that we do something wrong, let us say that the process is just a bit more drawn out than I expected—those tenderers—let us say that there are three, four, or five bidders, and certainly if it gets down to two or three—will have expended in the tens of millions of dollars collectively in their bids. Some of these companies will be international companies. They will have bid teams with 10, 20 or 30 people working on it, and they will have incurred massive million-dollar expenses. If he then comes in and says, 'We are tearing it up,' what signal will that give people? 'Don't risk spending your money in South Australia because the guy

who would be your next leader and treasurer could well and truly tear it all up,' and they will have wasted their money. That is a reckless and damaging position to put publicly, and I ask you, plead with you, to do the right thing: retract and calm down and put a consistent, coherent, positive and supportive message to the financial markets.

Mr HAMILTON-SMITH: You have no idea when you will have anything advanced on this project, Kevin. You have no idea whether any of the things you just described will happen next year, the year after, or the year after that. It seems that you have not thought through where you are going with this.

The Hon. K.O. FOLEY: Madam Chair, Michael Owen was the reporter. It appeared pretty prominently in the paper. I hope *The Advertiser* will do it justice and report it—

Mr HAMILTON-SMITH: Read it out—

The Hon. K.O. FOLEY: I will read it out—

Mr HAMILTON-SMITH:—so that we know what was actually said, not what you claim.

The Hon. K.O. FOLEY: Okay. Here we go. Ready? It states:

Mr Hamilton-Smith last night said any agreement signed by the government with the private sector before 2010 to build the 'Marj' could be 'commercially negotiated out of'.

Mr HAMILTON-SMITH: And that is true.

The Hon. K.O. FOLEY: You are telling untruths to this parliament. You cannot even sustain your own position. You have said—I repeat:

Mr Hamilton-Smith last night said any agreement signed by the government with the private sector before 2010 to build the 'Marj' could be 'commercially negotiated out of'.

Five minutes ago you said to this parliament that, if we have signed off on that project, it will be built. You have been caught out telling an untruth to *The Advertiser*. You have now changed your position, and you look foolish. I hope that that backflip is well and truly reported as strongly as your initial statement. You have got yourself out of curly situation; you are doing it by telling untruths. You just said five minutes ago that if the contract is signed it will be built.

Mr HAMILTON-SMITH: Say it a fourth time. Say it again.

The Hon. K.O. FOLEY: You have no shame.

Mr HAMILTON-SMITH: Are you finished now?

The Hon. P.L. WHITE: Explain yourself.

The Hon. K.O. FOLEY: Explain yourself, Martin. You have no shame.

Mr HAMILTON-SMITH: Are you finished? Have you calmed down now?

The Hon. K.O. FOLEY: Yes.

The CHAIR: Order! The Leader of the Opposition—

Mr HAMILTON-SMITH: Are you going to listen?

The CHAIR:—will ask questions.

The Hon. K.O. FOLEY: Oh, yeah!

Mr HAMILTON-SMITH: Good. Well, be a good boy. Any—

The CHAIR: Order! Leader of the Opposition, it is my role to do the best I can to keep order. Just calm down, and in a minute I will offer you the call. In one minute you will have the call.

Mr HAMILTON-SMITH: We will sit here and deep breathe, Madam Chair, will we?

The CHAIR: Yes.

Mr HAMILTON-SMITH: That will be nice.

The CHAIR: Leader, you have a question and a reference—

Mr HAMILTON-SMITH: Was that a minute, Madam Chair?

The CHAIR: Leader, I have invited you to ask a question. If you do not want to, I am happy to conclude proceedings.

Mr HAMILTON-SMITH: I will respond to the Treasurer's games. Any government can make, or enter into, any commercial negotiation, Kevin, and they do it all the time. When you enter into a commercial negotiation, you consider what the costs might be to you through entering into that commercial negotiation. If those costs are minimal or nil, that might lead you to one decision. If those costs connected to that commercial negotiation are a burden or onerous, you might not. Depending on where you are with this proposal, we may well enter into a commercial negotiation, but I can tell you that, if there are costs to the taxpayer that are excessive, we will not be reversing it because we will not be as irresponsible as you are. We will certainly be prepared to sit down and enter into a commercial negotiation, exactly as reported, but what we will not do after we have carried out those commercial consultations is exit from any contract if it means that there will be an excessive penalty to the taxpayer.

So, the point I am making to you is, wherever you are with it, if we can extract ourselves from it at no cost to the taxpayer or at a very minimal cost, we may consider it but, if we cannot, we will go ahead with it because we will need to, and that is because you will have signed us up to a process that will probably be inescapable. It is a hypothetical situation. It is quite correct to say that, at any future time, any future government can enter into a commercial negotiation. We will not be making irresponsible decisions like so many of those you have made and burdening the taxpayer with the result.

The Hon. K.O. FOLEY: Madam Chair, I really hope the media go through this transcript. We have one minute him saying to me that, if the contract is signed for The Marj, The Marj will be built. When I said, 'Hang on. You said something different in the media,' he said, 'No, I did not say that.' So, I go and get the media, I read it out and he did say that.

Mr HAMILTON-SMITH: No, you added extra bits in, Kevin. That is what you do. You just take a statement and you make a paragraph out of it and put a whole lot of untruths in it. That is what you did, if you read *Hansard*.

The CHAIR: Order! Leader, you will come to order and, when the chair has risen to her feet, you will be silent.

Mr HAMILTON-SMITH: Very good.

The CHAIR: The Treasurer listened to you almost in silence. Please return the courtesy.

The Hon. K.O. FOLEY: That is a big thing for me. When I read out the article, which is clearly contradicting his earlier positions because he has clearly forgotten what he said to *The Advertiser*, he is now coming up with a sort of a walking both sides of the street, flip-flop, answer: 'We might, if this—we might, if that.' You have been caught out; you are red-faced in embarrassment and—

Mr HAMILTON-SMITH: No-one has been caught out, Kevin, I am sorry to tell you. You are batting nowhere.

The Hon. K.O. FOLEY: Martin, you cannot. You might think you are funny, that you are fooling everyone, but I do not think the media are going to think that you are actually getting one over them, not when your statements are so contradictory, just like they were over the air warfare destroyer matter when you made a reckless comment about the Americans winning and not the Spanish. Your colleagues—

Mr HAMILTON-SMITH: Don't get me started on that one, Kevin.

The Hon. K.O. FOLEY: I am happy to get you started on that one.

Mr HAMILTON-SMITH: You were standing on the front of that ship like Kate Winslet on the bow of the *Titanic*. He got out by inflatable boat. He had a publicity stunt, and he came ashore, and there we were doing a presser on the dock. You looked like a—don't get me started.

The Hon. K.O. FOLEY: No, I am happy to get you started. Did you think Nick Minchin looked the same when he went out on the US—

Mr HAMILTON-SMITH: Let me ask you this: what was your buyback of the Modbury Hospital if it was not commercially negotiating yourself around an existing deal? By your own words, you have been caught out. You are sitting there are saying that governments cannot commercially renegotiate anything; they are financially irresponsible. So, by your own words, you have been financially reckless and financially stupid for reversing the deal on Modbury Hospital through a commercial negotiation. You are guilty of the very thing you are trying to throw—

The Hon. K.O. FOLEY: As I said, when Rob Lucas used to ask me questions, as much as I tried to look like I was cool and calm, I used to—

Mr HAMILTON-SMITH: I would like to get on with some questions.

The Hon. K.O. FOLEY: You have not asked me one question about the budget all day; you have just been rhetorical and attacking me. But when Rob Lucas asked me a question, the little anxieties were there just in case he would trip me up. Mate, getting questions from you is pretty comfortable stuff. Governments can negotiate anything they like.

Mr HAMILTON-SMITH: Thank you. We are there.

The CHAIR: Leader of the Opposition, if you cannot show respect for yourself, please show it for the rest of the committee.

The Hon. K.O. FOLEY: Excuse me. Governments can negotiate all they want—that is not the issue—but if you go to negotiate with a company after they have signed a contract, you will be incurring, if you want to, as you said, commercially negotiate out of it, you can do that. I have never said you cannot.

Mr HAMILTON-SMITH: But you are not going to do that at an excessive cost, Treasurer, are you?

The Hon. K.O. FOLEY: You do not say that there.

Mr HAMILTON-SMITH: You do not. It is called negotiation.

The CHAIR: Leader, please show some respect to the committee. You have had ample liberty.

Mr HAMILTON-SMITH: So has the Treasurer.

The CHAIR: As the Treasurer has spoken, the Treasurer was incorrect in one matter. You have asked one question relating to the budget line under consideration. You have had more indulgence from this chair than is the normal process and from the minister. Please, at least, show some respect and respect the amount of liberty you have had.

The Hon. K.O. FOLEY: Thank you, Madam Chair. I will just say very calmly that the Leader of the Opposition does not in this quote anywhere say that he would only commercially negotiate himself out of it if it does not cost any money.

Mr HAMILTON-SMITH: I think it says 'could be'. What does it say? Read it again. It says 'could be', not 'will be'.

The Hon. K.O. FOLEY: Yes, it does.

Mr HAMILTON-SMITH: Yes, good. Thank you for that.

The CHAIR: Treasurer, I remind you that if you do not respond to interjections, they are not recorded.

The Hon. K.O. FOLEY: Madam Chair, this article by the Hon. Martin Hamilton-Smith states, 'the Marjorie Jackson-Nelson hospital could be'—

Mr HAMILTON-SMITH: 'Could be'.

The Hon. K.O. FOLEY: Will you let me finish? You are a smart arse, aren't you? You really are.

Mr HAMILTON-SMITH: Coming from you, that's really an understatement, Kevin.

The Hon. K.O. FOLEY: Madam Chair, he says that the Marj could be commercially negotiated out of. He said in this place that he never said such a thing. He is now saying that he would not commercially negotiate out of it if it cost a lot of money. Any company that signs a 40-year contract—or whatever the length of it is—has got you over a barrel. They could extract penalties and damages for the life of the contract. It is obvious, and any simple person who had done any assessment of this project would have said to the Leader of the Opposition, 'Choose your words carefully'—

Mr HAMILTON-SMITH: Well, then—

The Hon. K.O. FOLEY: —hang on, let me finish—'because you are setting the state up for a very significant liability.' But the real inherent damage is that I reckon any developer trying to read what he has said in *Hansard* today—trying to pick out the position of the opposition—would be totally confused. When developers get confused and get conflicting signals and uncertainty, they price that into the risk of the project. If you do not think that your ambiguous, confusing and contradictory comments will not affect the bottom line price of this project, you are sadly wrong. A contractor now, in my opinion, will have to build in some degree of risk, because they do not know what you will do after an election.

You have to go back into your office tonight, have a serious look at what you have said and put out an unambiguous and definitive statement tomorrow as to the position of the opposition. That is the fair and decent thing to do. We are about to embark upon the biggest capital project in this state's history. It will be here to serve the people of this state for generations to come. We need to do that in an environment of certainty, an environment free of sovereign risk and an environment that can encourage and welcome international and national capital into this state.

If you continue to destabilise this process, you put at risk the Marjorie Jackson-Nelson hospital, and you put at risk the financial position of the state. Act responsibly for once, clarify your statements and put out an unambiguous statement as to exactly what your position is, because you have put three or four of them to this committee today.

Mr HAMILTON-SMITH: That is a whole lot of flurry rhetoric, as you well know, and quite a tirade of nonsense. Unless you want to stay on this subject, we might move on, Treasurer.

The CHAIR: Leader, you are being very provocative. Your role is to ask questions. It is not supposed to be debate. You have had—

Mr HAMILTON-SMITH: Well, tell the Treasurer.

The CHAIR: The Treasurer may answer the questions as he pleases.

Mr HAMILTON-SMITH: The point is that he does not answer the questions. What he does is to introduce new topics, goes into debate—

The CHAIR: Please ask a question.

Mr HAMILTON-SMITH: —goes into invective. It is just silly.

The CHAIR: Just ask a question and do not debate with the Treasurer. It would be useful if it was asked on a relevant budget line.

Mr HAMILTON-SMITH: Let us just go to the QEH. I refer to Budget Paper 5, page 3—

The Hon. K.O. FOLEY: Why do you bring the others in, you never give them anything to do?

Mr HAMILTON-SMITH: What was that? Will the Treasurer advise what has happened to stage 3—

The Hon. K.O. FOLEY: He is a one-man band.

Mr HAMILTON-SMITH: Finished now?

The CHAIR: Leader—

Mr HAMILTON-SMITH: I tried to ask a question and he interjected.

The CHAIR: Please, focus on the question.

Mr HAMILTON-SMITH: Get a grip of the Treasurer as well, Madam Chair, if you want some order in the committee, not just members on this side. Will the Treasurer advise what has happened to stage 3 of the project to rebuild at the Queen Elizabeth Hospital? There seems to be no reference to it in the budget paper. Is stage 3 still proceeding, or will that money be going into the new hospital project? I note that on 19 October the Public Works Committee was advised that stage 3 was estimated at around \$197 million, giving a total of \$370 million for stages 2 and 3.

The Hon. K.O. FOLEY: I refer that question to the Minister for Health.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, page 2.17 under the heading 'Investing initiatives', and health reform. It talks about the RAH stage 4 reallocation into a \$74.4 million saving. Will the Treasurer explain the impact of that figure on the budget?

The Hon. K.O. FOLEY: That is a question for the health minister.

Mr HAMILTON-SMITH: Essentially, will those projects be cancelled and the proceeds used to build the hospital?

The Hon. K.O. FOLEY: That is a matter for the Minister for Health. He is the manager of his capital budget.

Mr HAMILTON-SMITH: I refer to Budget Paper 5, page 34. Will the Treasurer tell us whether a project team has been established to manage the Marjorie Jackson-Nelson hospital project from here, and who is on that project management group?

The Hon. K.O. FOLEY: As I said in an earlier answer (and, clearly, these are proforma questions), we have set up a project team to undertake the business case as to whether we do it as a PPP or a direct procurement by government. That project team, I understand, is in place. It is chaired by David Panter from the health department and Steven Page, the head of our PPP unit, better known as the Project Analysis Branch of Treasury. They are the two key players, but there is a team of other bureaucrats, and I assume they will take external advice if and where needed. That is for the first phase of doing the business case. Once you determine what your delivery model is, my guess is that the project team that will manage that will be a different team, maybe with some cross-membership.

Mr HAMILTON-SMITH: Just reading your answer, Treasurer, to questions in the house about your cost estimate for rebuilding the RAH in its present location, you imply that you costed the project on the same basis as the Marjorie Jackson-Nelson hospital. In other words, you seem to imply in your answer to the house that you took exactly the same criteria. I do not know whether that includes floor space, bed space or capability space at the new hospital. You sort of said, 'Well, to do the same thing at the RAH would cost'—and you gave a figure just short of \$1.4 billion. Are you now in a position to table the costing information for that RAH estimate, including the consultancy report which reviewed it? As you intend to bulldoze the site, there can be no commercial confidentiality, so are you in a position to table that costing information?

The Hon. K.O. FOLEY: Well, I have taken that question about what we can table on notice, and that will work its way through its normal process. I stand corrected, but I do not think I said, taking what we were building at Marjorie Jackson-Nelson, what it would cost us to build that on the Royal Adelaide site. My understanding is that the same costing model was used for the option of rebuilding the Royal Adelaide Hospital on its existing site. Whether that was a complete replica of what is going on with the Marjorie Jackson-Nelson Hospital I do not know. You would have to ask the health minister. But the work there was advised at \$1.384 billion. Bearing in mind we are spending a couple of hundred million dollars on removal of train tracks—sorry, that is on top of the 1.7. But there is a \$300 million differential.

In the debate on *Stateline* you just plucked a figure out of the air and said you could rebuild the Royal Adelaide site for, 'Oh, I don't know, I'd be pretty confident in saying I could do it for \$850 million.' Just plucked it out of the air; had nothing to base it on. I might just repeat that for *The Advertiser's* benefit. We are on the *Stateline* interview. I am saying that rebuilding the Royal Adelaide site would cost \$1.4 billion; you are saying that's a nonsense figure and that you could do it for \$850 million. You plucked a figure out of the air. I said, 'Where did you get that from?' 'Oh, I'm pretty confident I could do it for that.' Just plucked it out of the air. Whereas we had external advisers and internal advisers working for a long, long time proving up our figures, you pluck \$850 million out of the air. Then you come into the parliament a couple of weeks later and say, 'Well, we could rebuild Royal Adelaide for savings of between,' I think you said, '\$200 million and \$700 million.' You changed your figure from *Stateline* that you were pretty confident with; you have come in with another set of numbers, but still unable to say where you are getting them from. You will just say anything for the sake of a sound grab.

Mr HAMILTON-SMITH: The Premier let the cat out of the bag—

The Hon. K.O. FOLEY: It is \$1.384 billion.

Mr HAMILTON-SMITH: You have been given a range of costs, have you not, I would imagine, in these costings.

The Hon. K.O. FOLEY: No, it was costed at \$1.384.

Mr HAMILTON-SMITH: Well, why did the Premier come in and say—

The Hon. K.O. FOLEY: The Premier on Triple M radio said that the new hospital would be between \$1 billion and \$1.4 billion, and it was \$1.384 billion. For goodness sake, the Premier of the state did not have a briefing in front of him and he got it exactly right in the parameters he put out there.

Mr HAMILTON-SMITH: I know this will astonish the Treasurer, but the Treasurer would be aware that he has the exhaustive resources of Treasury, and he has access to millions of dollars to spend on consultants. The health minister is in the same fortunate position. You are telling us, and expecting the people of South Australia to believe you, that it will cost \$1.34 billion, I think you said. It may also astound you to know that the opposition does not have millions of dollars of resources to spend on consultants or access to government departments. It may startle you to realise that government is better resourced, far better resourced. But it gets back to the issue of why you will not table the costings.

The Hon. K.O. FOLEY: I have not said we won't.

Mr HAMILTON-SMITH: If you would table the costings we could resolve this.

The Hon. K.O. FOLEY: Madam Chair, I have not said we will not table them; I have said exactly the opposite.

Mr HAMILTON-SMITH: Well how long will it take?

The Hon. K.O. FOLEY: It is going through a process. We need to see what can be released that does not impact on commercial competitive negotiations. I would have thought that as someone who ran a business—

Mr HAMILTON-SMITH: Well, you are not doing anything at the RAH site; you are going to bulldoze it.

The Hon. K.O. FOLEY: I said previously that we have used the same modelling for that as the new hospital. We need to see what is commercially dangerous for us to release. But, Madam Chair, a couple of points. I have all these resources of Treasury with me here today. We are over halfway through this session and I have not needed to ask one of them a question—maybe one question to Jim Wright—and this is in terms of needing the resources of Treasury to answer your questions. I can never recall in my six appearances before these committees with Iain Evans and others that I have not had to resort to ask advisers time and time again for answers. I am only making the observation. But the leader is surfing over the top with political rhetoric and not actually asking the hard questions.

The other thing, Madam Chair, is that, along with my colleagues, I spent eight long years in opposition. I was the shadow treasurer for four or five years in opposition. I know exactly what it is like in opposition when it comes to resources. But do you know one thing we never did in shadow cabinet? I never walked into an interview with Rob Lucas or a debate and proceeded to pluck a figure that I new how much it would cost to rebuild a hospital because I had a gut feeling. I was never that silly, never that in need of a cheap headline, never that reckless. And I have never walked into this parliament throwing numbers around that were not based on some form of fact. This guy will say anything, do anything to get a headline. At some point the smart people on his side are going to realise that their brand is being damaged by a bloke who cannot back up his statements with any skerrick of fact.

Mr HAMILTON-SMITH: Gee, you are touchy, Kevin.

The CHAIR: Other members on my right? No? The leader continues.

Mr HAMILTON-SMITH: Since we are clearly not going to get any information about how you have costed that hospital we might move on.

The Hon. K.O. FOLEY: Look at all the projects that overran when you were in government.

Mr HAMILTON-SMITH: Well, there was a little thing called \$11.5 billion of your debt, Kevin.

The Hon. K.O. FOLEY: So that justified running over costings—

Mr HAMILTON-SMITH: If you really want to know about how to balance a budget go and talk to Stephen Baker and ask him what it was like from '94 through to '96.

The Hon. K.O. FOLEY: Hang on, what about your mate Rob Lucas? Oh, that's right, out with the old, in with the new.

Mr HAMILTON-SMITH: Yes, him as well, from '96—

The Hon. K.O. FOLEY: You necked Lucas. Out with the old, in with the new. Out with Lucas and in with this bloke.

Mr HAMILTON-SMITH: You've got no idea what it was like—

The Hon. K.O. FOLEY: Martin Hamilton-Smith, you are no Rob Lucas. Martin Hamilton-Smith, you are no Stephen Baker.

Mr HAMILTON-SMITH: And Kevin Foley, you are neither of them. In fact, you wouldn't be Stephen Baker's bootstrap, if you want to start hurling those around, Treasurer. I do remember you getting your costings so spectacularly wrong in the '97 election that you made an embarrassment of yourself in front of your party and the whole state. But I notice now you have got the whole of Treasury backing you up, Kevin, to cross the t's and dot the i's, it's easier isn't it. Much easier. It is easy to look good when you have got everyone else checking your figures. So, you know, before you start throwing those sorts of comments around—

The Hon. K.O. FOLEY: We nearly won '97. We won government back in two terms.

Mr HAMILTON-SMITH: No, you didn't, you got it handed to you, frankly.

The Hon. K.O. FOLEY: Oh, handed to us?

Mr HAMILTON-SMITH: You got it handed to you on a platter—but we take some responsibility for that. Budget Paper 4, Volume 3, page 11.52: on 3 May 2007 you were asked a question in the house, to confirm whether Treasury officials had inspected the ledgers of the Department for Families and Communities and whether they had identified a budget blow-out of \$30 million, and to say whether you had received a report on the matter, and you said yes. Can the Treasurer clarify what has flowed from that revelation and indicate the exact amount of the blow-out and how it has been dealt with in the budget?

The Hon. K.O. FOLEY: Exactly as I said. We put a team in there; they were overspending, particularly in the childcare area, and a lot of reasons have been put forward for that, one being that we have a difficulty attracting foster parents in South Australia. As we age as a community, there are fewer foster carers available; we have had to put a lot of kids in danger into high-cost care, and that has had an impact on the budget. The choice is that either you leave those kids in danger or you bring them into quality high-cost care. I sent in a budget team, as I often do; it is a standard operating procedure for me when departments are having difficulty with their budgets or difficulty with over-spending. Sometimes they request help, and sometimes I suggest to them the merits of receiving our help. We go in and have a look at the situation, and we have done that with Families and Communities. We undertook a report to ascertain why these costs were exceeding budgets, and we have discussed it with the minister, his senior officers and CEO to put remedial action in place, and that has occurred. For any more specifics on that matter, you would need to put it before the minister's estimates committee.

Mr HAMILTON-SMITH: That same budget paper (Budget Paper 3, Volume 3, page 11.52) identifies a blow-out

of \$24 million in Families and Communities and explains each of the factors that led to the blow-out. If the Treasurer received a report on a budget blow-out of \$30 million, why is the budget blow-out now only \$24 million, and has additional money been allocated to Families and Communities to cover that blow-out?

The Hon. K.O. FOLEY: I am being accused of bringing in something lower. At the time of printing this document, the overspend was in the order of \$24 million. We expected it to be higher so, in the end, we provisioned \$38 million.

Mr HAMILTON-SMITH: So, the blow-out is around \$38 million?

The Hon. K.O. FOLEY: Yes. We were advised \$24 million, and we have provisioned \$38 million. We will have to see what happens. It might come in under \$38 million; hopefully, it will. It might even go a little over; you do not know. It is very hard to get an exact number for the end of the financial year, as I hope you would appreciate, with that type of activity. We think \$38 million should cover it.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, page 6.6. Can the Treasurer advise what financial arrangements are proposed in relation to the sale of 8 000 homes by the South Australian Housing Trust and, in particular, confirm whether it is proposed to sell the homes and thus take on board the revenue over a 10-year period?

The Hon. K.O. FOLEY: Again, that is a question for the housing minister.

Mr HAMILTON-SMITH: Has Treasury taken into account receipt of proceeds from the sale of those homes?

The Hon. K.O. FOLEY: We have a dividend flow from the Housing Trust. A non-public financial corporation (NPFC) does not impact on the budget per se, except by way of dividend. Specific questions about the operations of that entity would be better put to the minister responsible.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, page 2.17. I note that savings initiatives have been required by Treasury of the health portfolio, and I might just read some of them that appear in that paper.

The Hon. K.O. FOLEY: I can read them.

Mr HAMILTON-SMITH: There is a significant amount over the years, such as country health administrative efficiencies; service delivery changes; cuts to hospital services; consolidation of intensive care units; transport of paediatric and obstetric services to the Women's and Children's and Lyell McEwin; and various other cuts, totalling many millions over four years. Can the Treasurer explain why it has been necessary to impose these savings measures on health, or were they offered up? Can the Treasurer guarantee that they will not be too detrimental to community health?

The Hon. K.O. FOLEY: I appreciate that it is the wont of an opposition: I get attacked and criticised because I spend too much, and I get attacked and criticised when I try to save money. However, I accept that as the luxury of opposition. As I said earlier in what I thought was a fairly frank and forthright contribution to the parliament, the biggest threat to the finances of our state in the decades to come will be how we provide for the health needs of our community. I have used the word 'nightmare'—and it is just that: there is no other word to describe the situation that will confront governments over the next 20 or 30 years. It is manageable for the foreseeable future, but in the medium to long run, it is a nightmare scenario unless we get reform between commonwealth-state relations on this matter and until we get more money from the federal government, which has the

financial capacity to help the states. But, equally, we have to reshape how we deliver health services. Part of the Marjorie Jackson-Nelson hospital is about reconfiguring the mix of hospital services in our state. It is about taking account of limited skills availability as the skills shortage bites with doctors and nurses, etc. It is about configuring our system to a more sustainable level.

The country can be no different. It is true that, as we have grown up as a society, most country towns of a reasonable size have had their own hospitals—in many cases, with all the bells and whistles that go with a general hospital. Clearly, that is not sustainable in today's modern age. It is not sustainable financially and, from a health-care point of view, to provide care for the patients, it is not possible. It is no good having a hospital with a substandard service when you can consolidate. As the minister outlined, we will be consolidating, upgrading and improving the quality of our major hospitals in Port Lincoln, Mount Gambier, the Riverland and, I think, Whyalla so that regional communities have access to first-class hospital services and still have hospitals in their community that offer a range of general hospital and medical services to best meet those needs.

I have always said—and there has never been a budget when I have not said this—that I want efficiencies out of government. I accept that I do not do it perfectly. I accept that the leader may have a better way of doing it, and he may be far better at his job than mine. However, whilst I have the job, I will force agencies to look inwardly at their own expenditure and at how they can make them more efficient. The health budget is a third of our budget. We have an outstanding CEO in Tony Sherbon, the new CEO. He is looking at it with fresh eyes, and he believes that he can deliver a number of efficiency savings to the health system. That should be an ongoing process.

BHP does not let its organisation run without internal efficiency drives; no corporation of any size does, and we do it here. The beauty of what Tony Sherbon is doing in that department, together with his minister, John Hill (an outstanding minister), is to spend the dollars as wisely as they can, because that money is reinvested anyway. Whatever health saves, it ends up spending somewhere else. We are putting in an extra \$250 million over four years simply for hospital needs. The current extra money for operating initiatives in most years exceeds the savings, but that is just a one-year effect. As long as my backside points to the ground, tomorrow and next year the health department will need more and more money, so it is only appropriate that an efficiency model is kept in place; otherwise, the nightmare scenario I spoke about will descend upon us a lot sooner.

Mr HAMILTON-SMITH: In regard to those savings initiatives, how did the process work during the bilaterals series? Did you require savings initiatives at a specified dollar amount, or were they offered up by the department of its own accord?

The Hon. K.O. FOLEY: Minister Hill and the CEO have put out a visionary reformist blueprint for the reform of our health system. We are quite up-front about the savings and reconfigurations. This is an initiative of a minister and a CEO determined to do what governments have not been able to do before—that is, sufficiently and significantly to reform our health system and put it on a more sustainable basis going forward. Trust me; if you are elected at the next election, you will be incredibly thankful that we have taken the hard decisions to do this to the health system, because it will be future governments (be it this one re-elected or a Liberal

government) who will be the beneficiaries. We will not leave unfinished business for you or our successors.

One legacy of this government of which we are very proud is that we have made the hard decisions that hard governments have to make—decisions that governments perhaps with the political capital have to make. I dare say (and there are enough people in this chamber who were here at the time) that if the Brown government had shown more courage in its first term of office, things would be a lot better than they are today. However, we are doing it and, as I said, you will thank us for it should you be elected. Anything more specific about how it impacts and all that, again, they are questions that should be put to the health minister.

Mr HAMILTON-SMITH: Budget Paper 1, page 7, refers to the proposal to build a new dam downstream of the existing Mount Bold reservoir and double the total storage capacity. Will the Treasurer advise how he proposes to fund the construction of a new reservoir at the site, if it is built? I note the Premier's press release of 5 June, which advises that a scoping study indicated that costs could be in excess of \$850 million, which is a significant amount. How does he see that being funded? Who did the costings to determine that figure?

The Hon. K.O. FOLEY: Again, these are questions for the appropriate minister, and I am happy for Karlene Maywald to take them. However, I say this: proper costings were done. It will be done by SA Water as a capital project, should it be done by SA Water. The return on that capital will be reflected in water pricing. Higher prices will be paid for the water should we have to build this dam, as there will be higher prices for the water should we have to do desal. Your plan for desal is, again, cobbled together and hopelessly undercosted. We are doing work on a desal—probably more than the size of \$1.5 billion.

I do not know how you would pay for it, but I guess that you would do so in exactly the way we would—that is, it would be reflected in water prices. That is how other governments around the country are dealing with this. SA Water is a commercially structured enterprise. It will take on the borrowings and use its own capital reserves or its own capital budgets it has provisioned to undertake this work, should it be required. The problem with a desal plant, which we really have to focus on, is that, whilst it sounds really good (and the water minister is much better qualified to answer this), I am advised and it is my understanding that, when you get a big desal plant up and running, the most expensive and sensitive piece of equipment is the membrane the water has to pass through.

These plants have to run 24/7. You cannot stop and start these things. These are not like electricity peaking operations where you can just switch them on when you have a drought or when you need water for a few months. You have to tune these things 24/7. Karlene can answer this better than I, but think of this: I think I am right in saying (and do not hold me to this) that our reservoirs on average, inasmuch as one can take averages in the current environment, are full two or three years out of seven or eight. We have one year's storage of water in our dam system. That is storage from pumping and natural rainfall. If we have a desal plant churning out water and our reservoirs are full, where does that water go? We would have \$1.5 billion of capital invested, being paid for by water consumers, and you would be literally turning the hose back into the ocean, because you would have nowhere else to put the water. The member nods his head. I am not sure where you would put it.

Mr Griffiths interjecting:

The Hon. K.O. FOLEY: That may well be right, and we are doing the due diligence to see whether that stacks up. But, if your reservoirs are full and at capacity—and I am told it happens on a regular basis, although not as regular as we would like—where does that water go? Where does that water go, and it is expensive water.

Mr HAMILTON-SMITH: Most of the time they are full of Murray water pumped in there.

The Hon. K.O. FOLEY: Okay. Are you saying you would not have Murray water, that you would stop pumping from the Murray?

Mr HAMILTON-SMITH: It might be available for irrigators.

The Hon. K.O. FOLEY: It might be, and it might be available for New South Wales and Victoria. Have you thought this one through, that if we totally desalinated our water and we did not draw on the Murray, do you honestly think—

Mr HAMILTON-SMITH: You'd never do that, you'd never totally desal. No-one would suggest that.

The Hon. K.O. FOLEY: Let's say 70 per cent.

Mr HAMILTON-SMITH: You wouldn't even do 70. You'd do something like 20.

The Hon. K.O. FOLEY: 20 would you do?

Mr HAMILTON-SMITH: You'd probably do something like 20, as they've done in Perth.

The Hon. K.O. FOLEY: All right. He is making his numbers up as he goes along. Right, whatever. Whatever the contribution of desal water, say it is 20 or 40—whatever it is, and I never know what you want from this thing—or let us assume it is 30 per cent, for argument's sake, do you honestly think that, if we take 30 per cent less water from the Murray, the Murray-Darling Basin Commission, now headed by the commonwealth, would actually drop the total take from the river of that 30 per cent? No, it would not. It would utilise that water further upstream. The Eastern States would love us to have a desal plant because it would be more water for them. Why should our consumers pay more if that water is going to be used upstream?

Mr GRIFFITHS: Why are the Eastern States building desal plants?

The Hon. K.O. FOLEY: Because they do not have access to the same water reserves we do. You are telling me that, if we cut our reliance on the Murray, that would then equate to a significant reduction in water being used from the Murray. The Hon. Karlene Maywald is far more skilled at this than I, but my guess is that the upstream states would just take that water for their irrigation purposes and we would put Adelaidians in a position of much higher water pricing so that the upstream states can have more water for their irrigators. All I am saying is that there is no right or wrong answer. You might be right, desal might be the answer, but there are enough curly questions that need a detailed and thorough analysis of the costs and benefits, as well as the threats and the weaknesses, in the argument.

It would be reckless to commit to a desal without undertaking that work. That is what we are doing, as well as conceptualising and costing a significant increase in Mount Bold storage capacity, which we could do with a one-off fill from the Murray, or we could do with a combination of Murray and natural rainfall, which would give us a huge amount of extra storage capacity. Alternatively, we could buy water licences and store them further up the river for when

we need them, store them up in the Dartmouth. Anyway, I am not a water expert.

Mr GRIFFITHS: I refer to Budget Paper 3, page 3.8, with reference to a 6.4 per cent increase in water prices for 2007-08. Can the Treasurer please confirm what action the government is taking on a water-pricing review, as announced by the minister several months ago? Can he also comment on whether future increases in water prices are likely to be a feature in budgets?

The Hon. K.O. FOLEY: We have put a price path out, and one thing for certain is that South Australians will pay more for water in years to come. That is obvious: it is happening everywhere in Australia. Water has been an underpriced commodity, and we need to have a price path that better reflects the cost of providing that water. The greatest pusher of state governments to do that are your federal colleagues John Howard and Malcolm Turnbull. Mr Turnbull wants us to be far more aggressive in increasing prices, far more aggressive. If you want to try and score some political points on water pricing, be very careful because Malcolm Turnbull is the man who wants South Australians to pay a lot more than we do.

Mr GRIFFITHS: More importantly, the opposition wants to know what the government is proposing. My recollection is that the minister talked about inflationary increases over the next three years, plus an additional 3 per cent on top of that, or it might have been 2.5. After that he announced a water-pricing review. We have heard nothing since and the community wants to know what is going on.

The Hon. K.O. FOLEY: Are you talking about the Essential Services Commission (ESCOSA) review of water pricing?

Mr GRIFFITHS: Minister Wright announced it. It could have been that.

The Hon. K.O. FOLEY: I do not know what you are talking about, but ESCOSA is doing a review of water pricing. We have set a price path—and I do not have the brief in front of me, and I will get a better answer than this—but it is inflation plus 2 or 3 per cent, which gives us a capacity to service more capital than is needed to waterproof Adelaide. If we do a desal plant or a build of Mount Bold, we would then have to lift that even higher. The Essential Services Commission, independent of government, does a review of our pricing methodology to make sure we are meeting national competition guidelines for water pricing.

The commonwealth, through the National Water Commission, which is a body that I think reports to Malcolm Turnbull, sets what it expects governments to do in terms of lifting their prices. As I said, Turnbull wants us to be far more aggressive and reach what is called the upper band of pricing much, much quicker than we have done. We have put a pricing model in place that we think meets Malcolm Turnbull's expectations of the states—not as aggressively and not as high a price as he initially wants—but ESCOSA, which is the industry regulator here, reviews whether or not what we have put in place meets what Malcolm Turnbull's body wants us to do. That is the short of it, and we publish all that for transparency. I am not sure where that is at, but it must be close. I have just been told it is in my office. I will get it signed off as soon as I can.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, page 1.7. The table appearing on this page shows net debt to revenue ratios rising to 10.9 per cent over the forward estimates to 2010-11. The federal Treasurer, Peter Costello, made the following statement on 1 June 2007. He was saying

that the states were not funding investments from their revenues. He said:

The states are borrowing—drawing down on savings rather than adding to them—and in this respect adding to pressure on monetary policy. . . The windfall from the GST revenue and property taxes has been spent in recurrent expenditures. It has not been allocated to investment. . . This is why the states have insufficient operating surpluses to fund their planned infrastructure spending and are now engaged in debt financing. Planned state infrastructure spending is also, to some extent, making up for under investment in infrastructure through the early part of the decade. . . During the longest economic expansion in Australian history, debt will be rising at the state level.

On 12 August, the then Reserve Bank governor, Ian MacFarlane, also said that the return of the states to deficit funding was an issue that could affect monetary policy in the future. Does the Treasurer feel that the government's debt policies may be contributing to a risk for inflation and interest rates as the governor seemed to suggest?

The Hon. K.O. FOLEY: I have been very comfortable here today. This has not been a particularly trying time. You ask a question that is really about what your political mate in Canberra is saying four months out from a federal election when he talks about Labor states and the possibility of a federal Labor government. Even I am politically attuned enough to know why Peter Costello is saying that, and I do not get my knickers in a knot. What Peter Costello did not tell you about the states borrowing program, and what I really have to put on the public record, is that, at the end of every treasurers' conference, we have what is called a Loans Council meeting. That Loans Council meeting is where all the states have to put forward their expected borrowings in the forthcoming financial year. We all put those borrowings up. The Loans Council is a body that is chaired by Peter Costello. We put those figures in and the Loans Council agrees that it is an appropriate level of borrowings for the state.

Unless I missed something, I do not recall Peter Costello making any comment to us on that day. The meeting was over in five minutes. From memory, Peter Costello did not stand up on his high horse in the cabinet room and bang the table and say, 'I'm not going to be part of approving these loans.' Peter Costello signed off on it. He was quite comfortable with our level of borrowings. In fact, as Standard and Poor's said in an earlier statement that I gave to the house, they are comfortable with it. So, it just amuses me a bit that, in March, Peter Costello (as chair of the Loans Council) signed off on it, comfortable with the borrowings of the states, and did not raise concerns about the prudent level of borrowings, and then, a month or two later, came out and said, 'Shock-horror, this is going to affect fiscal policy.'

When you are in the cabinet room of the federal parliament with all the state treasurers, if the national Treasurer is concerned about inflationary impacts from the state level of borrowings, he has the perfect forum to say so. He has the perfect forum to take action and he has the perfect forum to put the heat on us not to do it. Hello? He did not do that. He smiled cheerfully, as he always does, signed off on it, agreed with it, took us to lunch, and we had a glass of wine with him. So, let us see politics for what it is, Martin, for goodness sake.

Mr HAMILTON-SMITH: Do you agree with the former Reserve Bank governor? No? Okay.

The Hon. K.O. FOLEY: I will tell you what is putting pressure on interest rates. I recall having dinner with a prominent CEO of a bank in Australia just recently. He made the point eloquently to me: it is the consumption of Aus-

tralian, it is the inflationary impact of tax cuts and the continued turbocharging of consumer demand in Australia through slack fiscal policy of your government nationally.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, page 2.18. Will the Treasurer advise whether the financial model for the super schools PPP has been finalised and, if so, what will it be? In particular, who will own the land and the buildings under that model?

The Hon. K.O. FOLEY: Sorry to be questioning back, but will you explain what you mean by the 'financial model?' I do not understand that.

Mr HAMILTON-SMITH: How does the government plan to finance, build and operate these super schools?

The Hon. K.O. FOLEY: Through a PPP.

Mr HAMILTON-SMITH: What is the current status of—

The Hon. K.O. FOLEY: So, you are changing the question. You are not asking me what the financial—

Mr HAMILTON-SMITH: I will put it any way you like.

The Hon. K.O. FOLEY: No, it is just a consistent theme. Whenever we talk about PPPs—

Mr HAMILTON-SMITH: What is the financial model; how will you finance it; how will you pay for it; and how will it be done? What is the current status of your plans for super schools?

The Hon. K.O. FOLEY: I do not know whether I am missing something here. You ask a question but, clearly, you do not understand PPPs. I ask for a clarification and then you berate me and ask me a whole lot of different questions. For the PPP, I think I said, we are going to market with a market information session in the next few weeks. In late July we are going to the market with a market testing program. We are looking at putting it out for expressions of interest. I will get our head of the PPP unit to give us some more information. I gave a speech on this just the other day, but I cannot remember the exact dates. It will be late September, early October for expressions of interest. In the new year we will go to requests for proposals and contractual signing—and they need to be fluid dates because this is not an exact process—and contractual signing will be in late 2008.

We have slipped a little bit on our times, and it is incredibly important, which is why I made a big thing about your statements about the Marjorie Jackson-Nelson hospital in terms of confusion, and whatever. The great feedback I get from the market in all this process is that they need certainty. They need to know exactly what it is we want and exactly what the outputs are. They want all the issues signed off by government so that, when we go to market, the developers can confidently bid knowing what the expectations and criteria are of government. Any uncertainty has the very real likelihood of transferring itself into some price premium for risk. They do not really quite know what it is that we want. It will be harder for us to get the best price. Equally, I do not want to go to market to find that we do not have our side of the table up to speed, we make a stuff-up and then, all of a sudden, you have to recall expressions or recall tenders, or start getting interactive to try to make up for some information that you left out. That sends a terrible signal to the investment markets.

So, I have said to our guys that if we take a bit longer, fine, because the market will appreciate and respect that we actually have our act together and that they are dealing with a professional government in these issues. That is why, calmly today—and I do not want to make another political point—I ask you to reconsider your ambiguity around the

Marjorie Jackson-Nelson, because that ambiguity will price itself into risk—make no mistake about that. In terms of the consultants that we currently have, Connell Wagner and KPMG have been contracted to government as our advisers on this project, and the market will obviously have its own set of advisers.

Mr HAMILTON-SMITH: I think you mentioned contract signing in late 2008. Is that correct?

The Hon. K.O. FOLEY: That is correct, but it is highly indicative at this stage.

Mr HAMILTON-SMITH: When will we see construction, then, possibly—

The Hon. K.O. FOLEY: It will all be opened the first week of March 2010! I am not sure. It is around the time, apparently. It will be a staged construction.

Mr HAMILTON-SMITH: Is that when it will be completed, did you say? When will the schools start and be completed?

The Hon. K.O. FOLEY: I was being humorous.

Mr HAMILTON-SMITH: When will we open the schools?

The Hon. K.O. FOLEY: We hope to have contractual close towards the end of next year. That is an indicative date, and it may well and almost certainly will slip. You can come back in November 2008, and say, 'Ha! Ha! I told you it was going to slip.' It may well slip. But construction will start shortly thereafter on the sites. Once financial close is done, it will start straight away. You would have to ask the education minister. I do not even know which school would start first, or whether they will all start at the same time. It is more likely to be constructed in two tranches. That will be part of the interactive process of negotiations, I guess, with the bidder as to which schools start first and whether they are done in two tranches. Really, that is still a bit up in the air.

Mr HAMILTON-SMITH: Will the successful tenderer own and operate the schools?

The Hon. K.O. FOLEY: They will own the buildings.

Mr HAMILTON-SMITH: Will they own the land as well as the buildings?

The Hon. K.O. FOLEY: The land will be leased. There will be a long-term lease on the land. They will own the buildings. They will be responsible for the maintenance of the buildings, and they will provide certain services for the buildings. But, again, the government will provide the teaching and administrative staff. What we also want to do with these schools is to see what innovations can be brought into them in terms of uses of these facilities after school hours. We are yet to work that through, but I think that is right. Part of the bid will be: what else can you use these schools for after hours? Could the gymnasium be used by sporting clubs?

I do not know whether Trish went there, but I remember going to the Glasgow school project in Glasgow. I am not saying it would happen with ours, but they have been really innovative. One of the schools has a gym similar to a Zest operation—a proper commercial gymnasium that is used by the kids during school hours, and then after hours it operates as would any gym out there in the broader community. Whether that will be part of this, I have no idea. That is the type of thing contemplated. We will market-test all those things. It will make our schools community assets beyond being just for school operations. The lights are out for a lot longer than they are on in schools, and they are too valuable an asset not to be better utilised.

Mr HAMILTON-SMITH: The schools that will be closed as a result of concentration within the super school will be sold off, and the proceeds will go into general revenue?

The Hon. K.O. FOLEY: Again, you would need to put that question to the education minister. I do not know whether they will all be sold, or whether some will be returned to park. My guess is that the majority would be sold. Ever since Adam was a boy, governments have been selling school sites.

Mr HAMILTON-SMITH: And the new school will be privately owned, operated and leased back?

The Hon. K.O. FOLEY: That is what a PPP is, yes.

Mr HAMILTON-SMITH: Yes, well, that is fine. It is funny how your pledges about privatisation come back to bite you, isn't it? So, essentially, we are closing half a dozen schools, selling the land, building a private school, and leasing it back.

The Hon. K.O. FOLEY: You know, Martin, these are inane questions.

Mr HAMILTON-SMITH: You made the pledge; not us.

The Hon. K.O. FOLEY: Can I just tell you, Martin, that the Under Treasurer has just advised me that they will be treated as public schools, because we are providing the teaching and administrative staff.

Mr HAMILTON-SMITH: I am sure that they will be treated as public schools, but the reality is that they will be owned by the private sector.

Mr BIGNELL: You just don't get it, do you?

Mr HAMILTON-SMITH: We did not make the promise, Leon; you did.

The Hon. K.O. FOLEY: These are likely to be on balance sheet projects, so they will be counted as debt, and they will be counted as public schools. I must tell you that we already have schools that are owned by the private sector—I think Golden Grove, although I do not know whether it still is. It could be out even further: the Hickinbotham group, I think, when Labor was last in office, built Andrews Farm—out that way. I think Hickinbotham provided some schools for government which we leased. It is not new science.

Mr HAMILTON-SMITH: For how many years would the financial arrangements affect taxpayers in terms of paying that lease fee? Will it be for the life of the buildings, or will it be a capped time?

The Hon. K.O. FOLEY: A working number at this stage is 25, but that could be ratcheted up or down, I guess—probably up. The normal lease period for these is 25 to 30; we may go 40—we will see.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, page 2.9, moving to the negotiations with the private sector on financing and delivery of the new Mobilong prison detention facility. Can the Treasurer update the house on the status of that PPP?

The Hon. K.O. FOLEY: Sure. I am excited about this one; this one is going to be a hoot. It is going well. Turner & Townsend Rawlinsons, Ernst & Young, and Sinclair Knight Merz have been appointed to assist the government on our side of the table with the project development. A market-sounding exercise is scheduled in the July-August period. Market sounding, by the way, is analogous to market research and is now a standard practice for PPP projects in Australia and internationally. The key benefits of a market sounding process are gauging the level of market appetite for the project, advising potential bidders of the likely scope and program of the project, and seeking preliminary views of

potential bidders on issues where the government is yet to form a firm view—for example, the scope issues.

A services specification and project brief is currently being finalised as the basis for the first stage of the formal procurement process which encompasses an expression of interest in the second half of 2007 and the short-listing of preferred tenderers. Again, we will be going to market for expressions of interest broadly in the same time frame as the schools. They will take a bit longer with these prisons, I guess, than the schools because these are big projects—half a billion dollars for the men's prison. You also have the women's prison, the youth detention centre, which will not be on that site but elsewhere, and a pre-release centre which will be at Cavan. The reason I picked schools and prisons is that these are well tested delivery models. There are PPP examples world wide and around Australia of successful prisons and successful schools, so we are not at the cutting edge of what works for a PPP. We have a lot of good data and good experiences to rely on.

Mr HAMILTON-SMITH: When will we see the prison facility build commence and end?

The Hon. K.O. FOLEY: As I said, the build would begin towards 2008, if we are lucky, or early 2009. I am advised that it would be probably later in 2009. Completion would be two to three years after that.

Mr HAMILTON-SMITH: So, around 2011 or 2012.

The Hon. K.O. FOLEY: Yes.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, page 2.4: General Government Expenditure. Can the Treasurer confirm that the infrastructure spending for the Education Works super schools and the Mobilong detention facilities is not currently factored into the forward estimates net debt figures?

The Hon. K.O. FOLEY: They are PPPs: they are not borrowings. I do not understand: someone has written a silly question for you.

Mr HAMILTON-SMITH: Can the Treasurer then confirm that the infrastructure spending for the Marjorie Jackson-Nelson hospital, which you want to have as a PPP, is currently factored into the forward estimates net debt figures?

The Hon. K.O. FOLEY: That is what I have said because, at present that one is on budget and it is being dealt with in the budget as an on budget, government borrowing project and it is factored into the forward estimates. A PPP, by its nature, is an off balance sheet transaction for the prison—I am not sure about the schools—but, either way, these are accounted for as payments in a net operating account.

Mr HAMILTON-SMITH: I refer to Budget Paper 4, Volume 1, page 3.24, regarding salaries and wages in the department. Can the Treasurer indicate the number and detail of FTEs in the department currently employed on PPP projects?

The Hon. K.O. FOLEY: At present we have four, but that will increase and we will get a more detailed answer for you. We have some people in shared roles and we will bring in external consultants to assist us.

Mr HAMILTON-SMITH: Are all of these PPPs—Mobilong, the schools, the Marjorie Jackson-Nelson hospital—being handled by the same group, or are there separate groups of people in the department handling each project?

The Hon. K.O. FOLEY: We have a committee chaired by Jim Wright, the Under Treasurer, together with Jim

Hallion, the head of the Department for Transport, Energy and Infrastructure and the Crown Solicitor, who has a lot of experience as a probity auditor (from memory, he was a probity auditor on the ETSA sale under your government), and the CEOs of the relevant departments that are involved in the PPPs.

Mr HAMILTON-SMITH: Pursuing that a bit further, have probity auditors been appointed for the Education Works PPP, the detention facilities and the hospital? If so, who are they and when were they appointed?

The Hon. K.O. FOLEY: At present, Simon Stretton's office, the Crown Solicitor's Office, is acting as an adviser on probity issues on the projects. The meeting next week will be pulled together to consider the timing and appropriateness of appointing an external probity adviser as we move into the projects. Simon Stretton's previous occupation was probably as the state's leading probity auditor and, as I said, he was engaged by your government to be the probity auditor for the ETSA sale. He has been invaluable in this process but, obviously, at some point in time we will need to bring in an external adviser for audit purposes.

Mr HAMILTON-SMITH: I refer to Budget Paper 1, page 4. In relation to the police and courts PPPs, can the Treasurer outline the cash outflows in relation to the projects that are subject to lease?

The Hon. K.O. FOLEY: You could put that to the police minister: they would have that actual payment. It is approximately \$4 million a year, which is the figure we have, but do not hold us to that. You need to get the exact number from the police department.

Mr HAMILTON-SMITH: The Treasury and Finance web site has a page that lists South Australia's PPP projects, and it includes the state aquatics centres and GP Plus health centres. There is a link for the GP Plus health centres to the major projects web site and then a reference to a \$27 million project at Marion to be completed on 31 July 2009. Can the Treasurer advise if these two projects are linked in any way and, if so, how? What is the status of both these projects, including an outline of time lines for the projects?

The Hon. K.O. FOLEY: The GP Plus centres, I am advised, are currently in as capital builds. If the website has them as PPPs it is because they have been combined in the projects. However, like a lot of these things (as we are doing with the larger hospital), you really evaluate what is a better delivery model. It is not to say that we will not do GP Plus through PPPs but, at this stage, it is on as a capital build by government. With respect to the Marion Aquatic Centre, I am advised that currently there are three bidders with whom the government is now involved in evaluation. I really am precluded from saying anything much more about that, given that we are now evaluating those bids.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, page 2.26 and public sector employment numbers. Treasurer, last year in estimates you were asked to indicate the increase and decrease in full-time equivalent terms in a range of categories for the period 30 June 2002 to 30 June 2006, particularly doctors, nurses, police and teachers. At the time, the Treasurer said that he would have a look at the question and answer it. No answer has been subsequently provided. Table 2.15 in Budget Paper 3, page 2.26, indicates that from 30 June 2002 to 30 June 2007 there has been an increase of 12 065 full-time equivalent public servants.

On Radio FIVEaa on Wednesday 6 June, the Premier advised that since 2002 there has been an increase in the number of doctors of 466 and, I think, 1 836 nurses. Given

that, will the Treasurer tell the committee the increase or decrease in full-time equivalent terms and head-count terms for 30 June 2002 to the most recently available period for doctors, nurses, police and teachers? I am wanting to pin down in those four categories just how many extras we have hired.

The Hon. K.O. FOLEY: I am advised that the government has provided substantial increases to front-line services since coming to office, including 1 836 extra nurses, 600 more teachers, 466 extra doctors and 300 extra police, with the government on track to employ a further 300 police during its current term. The remaining increases are spread across the other agencies.

Mr HAMILTON-SMITH: Are those extra numbers, as the Treasurer describes them, additional to what was already in place before 2002 and therefore part of the 12 000? Are any of those mentioned simply replacements for changeover?

The Hon. K.O. FOLEY: That is the full-time equivalent increase in the general government sector. We dispute the 12 000 number. Our number is 9 287 over the five years from 30 June 2002 to 30 June 2007.

Mr HAMILTON-SMITH: I refer to the same page and the same table (2.15). Will the Treasurer provide for each department or agency in the general government sector, the public non-financial corporation sector and financial corporation sector the FTEs for both years that comprise the totals in the table?

The Hon. K.O. FOLEY: I will take that question on notice.

Mr HAMILTON-SMITH: Will the Treasurer also provide this information for each of the years 30 June 2001 to 30 June 2006?

The Hon. K.O. FOLEY: No, I do not think so. I think that would be too difficult. As I said, we did a census of government, which we felt properly establishes the FTE arrangement. I have them here for the government sector as at 30 June actual 2006, then the 30 June 2007 cap, with the prospective 30 June 2008 cap. I am happy to make that available. As the Under Treasurer says, the problem there is that organisational structures, departments and functions have changed. It would not be a fair comparison.

Mr HAMILTON-SMITH: Will the Treasurer confirm that table 2.15 advises that the full-time equivalent cap for the government sector is 74 560 FTEs at 30 June 2007 and 75 283 at 30 June 2008?

The Hon. K.O. FOLEY: Correct.

Mr HAMILTON-SMITH: Will the Treasurer confirm that that means, in effect, that we have a moving cap? In other words, there is no cap and the current process is really no different to what was previously in place.

The Hon. K.O. FOLEY: No, not at all. If you recall, by its nature, the cap must be a moving feast. You cannot spend an extra \$40 million on health and not have extra people to do the work. When you are dealing with people coming into hospitals you must have more people to process them. What we have said in our cap is that government agencies are not authorised to increase their employment unless they have funding approved by cabinet to pay for that employment. An agency cannot, under our new requirement, simply go out and employ 100 people because it has a bit of cash available, or it has decided that it will find the money for 100, sort of shuffle the books around, and take staff on.

If cabinet authorises new activity that requires more people, the cap is adjusted accordingly. It is a management tool. If we decide, as we did recently, to give the courts an

extra couple of million dollars (and, I think, it got an extra 60 or 20 people, or whatever the number was), it is authorised to increase its cap to the amount it is being funded. It is not authorised to go out and increase its number without authority. That is where you get yourself into trouble. I wish we had had this mechanism earlier because we could have better controlled numbers. It is like Mr Pallaras, for example. As the DPP he cannot hire people unless he has the money for it and the authorisation.

Mr HAMILTON-SMITH: How did we manage to take on board such a significant number of unbudgeted additional FTEs? By our figure it is 12 000, 2 000 of which were budgeted. So it is around 10 000, according to our examination of the budget, that were unbudgeted.

The Hon. K.O. FOLEY: We have been up and down the hill on this one. Some of it was reclassification. Some of it was people already in government who had not been accounted for as being in government, so they were entities that were outside the general government sector.

Mr GRIFFITHS: Floating bodies.

The Hon. K.O. FOLEY: No, not floating bodies at all. A lot of them were health unit employees that we brought into the general government sector. They were funded out of non commission funds. We brought them into the government sector and they are now accounted for in the government numbers. I would be the first to admit that I wish we had controlled employee numbers a bit better than we have. But you cannot almost double the size—you talk about the amount of extra money we are spending, and I think you said a figure of 40 or 50 per cent more than when you were in office. You do not spend that amount of money providing more services without more people. That is obvious. But we now have a better control mechanism in place. I do admit that in the past there have been some agencies that have been recalcitrant. They have not had the authority but have hired people when they should not have, and I am not letting that happen any more. The rules are there; whether it is happening or not will depend on how well we monitor that. But we will monitor it closely and that is the appropriate response.

Mr HAMILTON-SMITH: Why is the FTE cap not applied to the public non-financial corporations sector and the financial corporations sector?

The Hon. K.O. FOLEY: They operate on a commercial basis with their own boards. SA Water, we have corporatised that. It does not work under government direction; it works to government policy. It will hire and fire, increase and decrease its work force, according to its commercial judgment of what it needs to deliver that service. They are clearly benchmarked against other public utilities and private utilities. Other places like Funds SA, which is a very small business unit, has its own board and it is free to hire who it wishes. You put confidence in a commercial board, and that is what you do when you corporatise these entities.

Mr HAMILTON-SMITH: Just moving to budget risk, and I refer to Budget Paper 3, page 7.8. Under the risk statement it refers to higher than expected increases in wages and salaries. The third paragraph states that:

If the public sector wage outcomes are 1.0 per cent per annum above allowances in the forward estimates for forthcoming enterprise agreements the budget impact would be approximately \$190 million in 2010-11.

Last year's budget stated that the impact would be approximately \$169 million in 2009-10. Can the Treasurer advise what has led to what seems to be a 12.4 per cent increase in risk over one year?

The Hon. K.O. FOLEY: It totally depends on the timing of when agreements come due. So you cannot extrapolate that that is because we are paying higher wages; it is because it depends which agreements are coming due in that period. But I have stated this I think in every budget. I would be surprised if we haven't, and I guess you probably stated it when you were in government. Wages pressures are a clear and present danger for any government, and we have to keep a tight control on wages. We have an appropriate provisioning to give fair but controlled wage increases to our employees, and it will be up to us to negotiate that through.

Mr HAMILTON-SMITH: You have obviously got a number of disputes under way at present, I think the dentists, nurses, psychiatrists and paramedics, although I think paramedics might have been resolved. The Treasurer may not be aware of the current status of each negotiation, but when do you expect you will be in a position to determine the outcome from those negotiations and the impact it may have on your budget?

The Hon. K.O. FOLEY: Well, if I could tell you that I would be pretty clever. I don't know.

Mr HAMILTON-SMITH: Will it be in the mid year budget review?

The Hon. K.O. FOLEY: That is something you will have to put to the industrial relations minister. He is currently negotiating with the nurses. I am not sure what the outer time limit to that is. I think we are close to securing a deal on ambos. But that really is not my area of expertise and I cannot give you an answer on the timing. But we have clearly put forward offers within our available resources.

Mr HAMILTON-SMITH: Does the Treasurer keep a record of enterprise bargaining agreements, and in particular are you in a position, for each of the years that you have been in government, to identify which enterprise bargaining agreements have been approved in each type of public sector employee group and the financial impact of each of the agreements on the forward estimates at that time? To what extent do you monitor those agreements?

The Hon. K.O. FOLEY: All enterprise agreements I guess are public agreements. My guess is we always publish the amount of money that is going to impact on the budget. As David Imber mentions, we might get provisioning amounts progressively as we go along. It would be too difficult an exercise for me to ask the officers to get all that information. Most of it, if not all of it, is on the public record. I am not really overly excited by the prospect of consolidating it into one piece of work whilst we are in the middle of EB negotiations. But if you do your homework I am sure you can find that information relatively easily.

Mr HAMILTON-SMITH: What figures does the Department of Treasury and Finance use as the average cost for a public servant, a nurse, a teacher and a doctor, and what are the on-costs assumed for each?

The Hon. K.O. FOLEY: Treasury I guess has a model. We do it separately for each title but, again, that is not information that I think we need to make public.

Mr HAMILTON-SMITH: When ministers have been asked that question they have said, 'Refer it to Treasury and Finance.' I think the public has a right to know roughly what each public sector employee is costing, on average, in those categories.

The Hon. K.O. FOLEY: I guess that information is available in annual reports. For obvious reasons, you have to be careful with averages when you have a workforce as large

as the public sector, but I am told that the average cost of a public servant is \$72 000.

Mr HAMILTON-SMITH: I refer to Budget Paper 4, Volume 1, page 4.59. Can the Treasurer advise what role, if any, Treasury has had in determining funding for the Office of the Director of Public Prosecutions?

The Hon. K.O. FOLEY: The DPP brought in a very imminent South Australian ex-public servant, Brenton Wright, and his company Lizard Drinking (a great name for a company) to undertake a review, which recommended a fair amount of new expenditure. My recollection is that that was only undertaken the financial year before this one. I think I am right in saying that we approved everything except the PR consultant (Mr Pallaras wanted his own press secretary). At the end of the year, Mr Pallaras had underspent his budget and, apparently, he is now out there telling us he needs more money.

I know it is easy grist to the mill for an opposition and the media, but Mr Pallaras expects to be treated differently from other statutory office holders and other heads of government agencies. It would be pure anarchy in the public sector if people such as the Police Commissioner, the head of the health department and the head of the fire service simply did their budget bidding by whacking the government in the press and going on the public record consistently. I think it is unedifying and unprofessional. Mr Pallaras should stick to the accepted norms of dealing with government and stop wanting to do everything through a press release.

I am not going to be bullied or allow any public servant to pressurise a government for more funding by making a loud cry for money. There are many deserving government agencies that do not get as much money as they would like or perhaps need or we would like to give them. We are about rationalising services. Since coming to office, the budget of DPP may not have been doubled, but it has undergone a very big growth, and from the last detailed submission he put to me we gave him everything he wanted—and then he underspent it.

There are a lot of deserving agencies out there that do not get everything they want, but they accept that we are a government of limited resources. I for one will not be bullied or harassed because Mr Pallaras chooses to call a press conference—he will probably call one after this; he cannot help himself. What I do know is that Mr Pallaras had plenty of money to take his people down to Adelaide Oval yesterday to dress up in wigs for some photo shoot. It is a bit hard for me to work out.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, page 2.2, Expenditure Overview. Can the Treasurer advise whether the government is on track to achieve \$130 million of savings for shared services for the three-year period, as shown in the 2006-07 budget? If so, can the Treasurer outline to the committee where the savings will be achieved and in what agencies?

The Hon. K.O. FOLEY: We have locked in some \$25 million per year of savings in the government sector out of this ICT project. The overall savings are larger, but for the government sector \$25 million is locked in per year, which I think I am right in saying is \$75 million over that period. We are confident that we will achieve our savings. It is an ambitious program. We are putting together a very dedicated team of people, and we are learning from mistakes and experiences elsewhere. Shared services is a concept that has been embraced with passion by the private sector.

It is sensible and necessary because, to find those dollars to deal with the nightmare of health needs, you have to make efficiencies elsewhere and, if you can make them in non-frontline services, you have to go after those savings aggressively and you have to capture them and deliver them to the budget bottom line. I do not know whether we will meet the exact numbers in our time lines, but we are confident we will. However, I am not going to horsewhip the public servants for not achieving it, as tempting as that might be. Provided we make substantial progress, I will be very happy.

Mr HAMILTON-SMITH: Last year, on the same subject, you were asked to provide the baseline cost for provision of corporate services to all agencies and departments, including the current total cost of provision of payroll, finance, human resources procurement, records management, IT, and other factors. You indicated that you did not have that information at that time and that one of the first exercises you would be undertaking would be to get that baseline data and that you would be undertaking that exercise back then a year ago. Can you now tell us whether that data has been collected and whether you are now in a position to advise the committee the baseline cost information for all agencies and departments?

The Hon. K.O. FOLEY: A comprehensive whole of government data collection exercise has formed part of the information gathering phase undertaken by the Shared Services Reform Office. The purpose of the exercise was to get a detailed understanding of current ICT, HR, finance and procurement service delivery across government. This exercise has provided the information integral to the development of a shared service model and reform strategy. Data was collected for the 2005-06 period on both the amount of activity, costs and full-time equivalents involved in the delivery of all corporate and business services across government. The Shared Services Reform Office is currently using the resulting data set to determine potential performance benchmarks for services likely to transition to a shared service organisation. The benchmark will also be used to identify potential savings across agencies.

However, data collection is only a part of this information gathering process. In order to understand the success of other reform initiatives, a number of meetings and site visits of shared services organisations have taken place in Queensland, Western Australia and the ACT, as well as the shared services centre of BHP Billiton in Adelaide. The Shared Services Reform Office is regularly speaking with other jurisdictions, including Western Australia, the ACT and Queensland, and learning about what went well and what they would do differently. These experiences are considered throughout the planning and development phases. The Shared Services Reform Office is working closely with agencies and stakeholders and has had the opportunity to contribute its knowledge and experience through various governance and consultation forums. Consultation will continue throughout the reform process. The strategy development phase will take into consideration the outcomes of all information gathering activities, enabling the development of strategies for the implementation of a shared service organisation.

Data collection from agencies will continue to assist in the improvement and standardisation of services, processes and functions of the shared services organisation in the final 'operate and improve' phase of reform. This is only a beginning of shared services reform. There is much more to be done, and the government is committed to realising the

benefits that this reform will deliver. However, I am not in a position to provide you with the baseline data; that is something confidential to government.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, page 2.2, which talks about future ICT savings. It states that whole of government savings are also proceeding with future ICT savings in 2007-08, meeting the estimate for shared services and ICT savings together. Will the Treasurer advise what future ICT savings have been achieved in 2007-08?

The Hon. K.O. FOLEY: I said \$25 million.

Mr HAMILTON-SMITH: What savings are expected in forward estimates?

The Hon. K.O. FOLEY: It is \$25 million.

Mr HAMILTON-SMITH: In the process in total?

The Hon. K.O. FOLEY: It is \$25 million of ICT, recurrent, and a little bit of growth with indexation.

Mr HAMILTON-SMITH: That is \$25 million over the four years?

The Hon. K.O. FOLEY: Over the contractual period, indexed, each year, per annum. Pretty impressive, isn't it?

Mr HAMILTON-SMITH: If I am not mistaken, last night minister Conlon in the other place talked about a figure of \$30 million.

The Hon. K.O. FOLEY: Yes, \$30 million.

Mr HAMILTON-SMITH: Per year, I think he said.

The Hon. K.O. FOLEY: Yes, well, mine is per year. I said \$25 million per year, per annum, every year.

Mr GRIFFITHS: Plus an indexation component.

The Hon. K.O. FOLEY: There is some growth in there. I am advised by the Under Treasurer that \$25 million is for the general government sector, the budget impacting sector; the other \$5 million is spread amongst non-financial corporations of government and other corporations of government.

Mr HAMILTON-SMITH: Treasurer, on FIVEaa on the morning of 8 June, in relation to land tax you stated:

Land tax is a tax on your investment property. My expectation would be that, if you invested in property in Adelaide for more than the last three or four years, you have made a significant capital gain on that property. It is not unfair or unreasonable to expect that there be a tax paid on those profits.

Will you clarify those comments? They seem to imply that land tax is a de facto capital gains tax. Is that the approach government has to land tax—that it is, in effect, a capital gains tax?

The Hon. K.O. FOLEY: No; that is a bizarre question.

Mr GRIFFITHS: Capital gains are only realised when you have sold the property. You are talking about land tax while you still own it.

The Hon. K.O. FOLEY: Well, ask me a question.

Mr HAMILTON-SMITH: The 2007-08 targets on page 3.5 of Budget Paper 4, Volume 1, bullet point 14, talk about implementing payroll tax and harmonisation reforms. Will the Treasurer explain the harmonisation reforms he plans?

The Hon. K.O. FOLEY: Yes; we signed off on that. Do we have those details, or do we need to come back with them? I can give you those. I am really into the harmonisation thing. I was excited when I was given the chance to harmonise. As to payroll tax and harmonisation, all jurisdictions (I love that word) agree to implement changes to payroll tax legislation and associated administrative arrangements to improve interjurisdictional consistency. The changes are as a result of work undertaken by a multilateral working group, comprising all states and territories, and the outcome of a separate review of payroll tax provisions undertaken by New

South Wales and Victoria. Jurisdictions have not looked at harmonisation of rates and thresholds.

All the proposed changes for South Australia will take effect from 1 July 2008. South Australia will implement the following reforms: standardised exemption limits for motor vehicle allowances and accommodation allowances; standardised arrangements for grossing up fringe benefits; and the use of lower type 2 gross-up factor. Are you across the type 2 gross-up factor? Further reforms are: consistent controlled tests for grouping commonly controlled businesses; introduction of specific provisions to capture employee share acquisition schemes, instead of relying on general provisions; standardised arrangements for work performed outside a jurisdiction; inclusion of superannuation contributions provided to non-working directors; and introduction of exemptions for wages paid in respect of maternity and adoption leave, not including other forms of leave taken in conjunction with maternity or adoption leave; wages paid to volunteer firefighters and emergency service workers while performing volunteer activities; wages paid by charities in respect of employees directly undertaking the charitable activities of the organisation; wages paid to indigenous workers employed under the community development employment projects program.

It is proposed that legislation to give effect to these reforms be drafted for introduction in the parliament in the first half of 2008, following ongoing consultation with other jurisdictions and with tax practitioners in Revenue SA's consultative forums. I hope that clarifies the question.

The CHAIR: The leader has one last question.

The Hon. K.O. FOLEY: Do you want more Treasury questions afterwards? I am enjoying this. I am happy to give you more Treasury questions if you would like. This is fun.

Mr HAMILTON-SMITH: We can keep going all day and all night, if you like.

The Hon. K.O. FOLEY: But try to share and give some of these guys a go. Crikey, you can't hog everything, Marty.

Mr HAMILTON-SMITH: I refer to Budget Paper 4, Volume 3, page 12.95. How much is proposed to be collected from Zero Waste levies in 2007-08 and over the forward estimates?

The Hon. K.O. FOLEY: I have no idea. Can you put that to the Minister for the Environment? It is her levy.

Mr HAMILTON-SMITH: Well, you get the money.

The Hon. K.O. FOLEY: Oh, no.

Mr HAMILTON-SMITH: Do you know how much money you will be getting?

The Hon. K.O. FOLEY: That is a function of a board that reports to the Minister for the Environment. I think that she should be asked that question.

The CHAIR: It is time for a break.

The Hon. K.O. FOLEY: Do you want to come back with more Treasury questions? I am enjoying it.

The CHAIR: I think some advisers may not be returning after the afternoon break, so can I thank them for their forbearance.

The Hon. K.O. FOLEY: For Treasury questions, this is fun. Do you want to bowl some more up to me?

Mr HAMILTON-SMITH: Well—

The Hon. K.O. FOLEY: You don't want to?

Mr HAMILTON-SMITH: I've got about another 50 here.

The Hon. K.O. FOLEY: All right, we'll do Treasury after smoko.

Mr HAMILTON-SMITH: Do you want to keep people here?

The Hon. K.O. FOLEY: Yes. Are you guys happy hanging around? They are delighted.

The CHAIR: I understand we're continuing with items relating to the broad Treasury portfolio.

The Hon. K.O. FOLEY: Madam Chair, whatever the shadow minister would like to ask on behalf of the opposition, I am here to answer.

Mr HAMILTON-SMITH: We are always this helpful and cooperative, Treasurer.

The Hon. K.O. FOLEY: I'm a good bloke.

Mr HAMILTON-SMITH: It is wonderful thing to see. Long may it continue.

The Hon. K.O. FOLEY: I wish you would give your mates a question. Fancy letting them sit here all day and you hog all the questions. What did they use to say about the kids at school who hogged the ball all day?—

Mr HAMILTON-SMITH: No, they are enthusiastically supporting the effort here.

The Hon. K.O. FOLEY: Goldie can hardly stay awake.

Mr HAMILTON-SMITH: Budget Paper 3, page 7.14 deals with the Port Waterfront Development Agreement. On 30 November 2004, the LMC provided a guarantee to Multiplex Port Adelaide Pty Ltd and UCPA Waterfront Pty Ltd as part of reciprocal arrangements in respect of the Port Waterfront Development Agreement. A guarantee given is due to expire in 2015. I note the exposure is \$5 million. Could the Treasurer explain to the committee why this guarantee was necessary from LMC? Did Multiplex and UCPA request it?

The Hon. K.O. FOLEY: On a point of order, Madam Chair, I am the Treasurer. You need to ask that of Pat Conlon, the minister for the Land Management Corporation. Seriously, I think your staff have slotted that into the folder by mistake. That was meant to be in Pat Conlon's folder, I think. I am not responsible for the Land Management Corporation.

Mr HAMILTON-SMITH: Madam Chair, the provision of guarantees on behalf of the taxpayer is a fairly serious matter and is a matter for Treasury. I take the Treasurer's point that he may not know the actual full detail of that particular negotiation, but I think that the public have a right to know whether LMC was directed by the minister to provide the guarantee or, if not, whether the board approved it; and, if not, who did approve it; and whether the government charges guarantee fees to the private sector when it provides them with such guarantees.

The Hon. K.O. FOLEY: Martin, I just don't know why you didn't ask that question of Pat Conlon last night. You had him in the committee. That is clearly a question relevant to his portfolio.

The CHAIR: That question was well outside the lines that have been opened, as have many questions been well outside the lines. The Treasurer, as the witness, has been extremely co-operative in answering, where possible. If he says this is not possible, then that is it—move on.

Mr HAMILTON-SMITH: Let me ask a more general question about the way Treasury approaches guarantees. What is the government's policy on providing guarantees to the private sector? The Treasurer has made the point that he does not think money should be provided to the private sector in any way, shape or form—I think is the rhetoric.

The Hon. K.O. FOLEY: Madam Chair, we look at each case on its merits. As I said, that was a question better put to the minister you had here for many hours last night. I do not

know how relevant it is to that earlier question, but just remember—and just a tad caution for you—that your government started the negotiations on the Port waterfront redevelopment, and my guess is a lot of the things that we signed off on were put in train by your government. Whether or not that was one of them, I do not know.

Mr HAMILTON-SMITH: Budget Paper 4, Volume 1, page 2.49, makes reference to the Port Adelaide Maritime Corporation receiving \$155.6 million in capital contributions to fund the construction of the common user facility, MSC, Precinct Development and AWD Systems Centre. What conditions, if any, have been placed on the Maritime Corporation by the government or Treasury for the capital contributions?

The Hon. K.O. FOLEY: Again, that is a question for tomorrow. I am here with the PAMC tomorrow, and I will have Andrew Fletcher and his team with me.

Mr HAMILTON-SMITH: All right.

The Hon. K.O. FOLEY: That is a question for tomorrow. So you have asked me one question that should have been asked yesterday and one that should be asked tomorrow. I have kept these people back. If you do not have Treasury questions for them, I will send them back. I have left them here only because I thought you may have wanted to probe me on the budget, but it appears you do not.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, page 2.2, where it states:

The other across-government savings announced in the 2006-07 budget are also proceeding, with the exception of the motor vehicle fleet configuration (\$0.7 million in 2007-08) and office accommodation (\$2.5 million in 2007-08) measures, which have been reversed.

Can the Treasurer advise why the motor vehicle fleet configuration office accommodation measures have been reversed?

The Hon. K.O. FOLEY: The office accommodation saving has been readjusted in terms of the timing. It takes longer than we realised, obviously, for the physical reconfiguration of workplaces. It is pretty hard to have kept to the tight timetable to be put back. As to the matter with the cars, we thought we could get those savings by buying four-cylinders from the providers of four-cylinder cars, but we made an assessment that, in fact, the potential loss of sales to Mitsubishi and General Motors-Holden's was not in the state's interest. If you looked at it purely from a savings measure, you would put a lot more four-cylinders into the government fleet; you would buy cheaper cars and you would probably buy imported cars, and that would give you a nice budget saving. However, in doing so, it would send a terrible signal to the market that we would not want to send. You have to balance the industry needs with the bottom line, so that is why that one was rejected.

Mr GRIFFITHS: I refer to Budget Paper 4, Volume 1, page 3.45. The third bullet point under this heading states:

Increased expenditure due to allowances for salary increases and indexation on goods and services of approximately \$1.7 million;

You would recollect that, during the 2006 election campaign, your party's election costings document included a saving of \$19.2 million from a one-year freeze on the indexation of government supplies. Did this freeze actually occur and, if so, what savings were achieved?

The Hon. K.O. FOLEY: When I answered that question at the time, having been re-elected and having brought in Greg Smith to do a review of our savings options, we changed the mix or the methods by which we would achieve those savings. One of the options that we put in place was a

0.25 per cent compounding efficiency dividend that contributed to bottom-line savings. So, we changed the mix of savings options when we had Greg Smith undertake his review. I said that a year ago.

Mr GRIFFITHS: I refer to Budget Paper 3, page 8.4, Key Economic Indicators. Are you aware that the budget forecasts the estimated result for 2006-07 is for economic growth of 1 per cent, and that that is the lowest of all the states and territories in Australia?

The Hon. K.O. FOLEY: With all due respect, you come from the Yorke Peninsula.

Mr GRIFFITHS: Yes.

The Hon. K.O. FOLEY: We have had the worst drought, affecting South Australia more than other states, given our reliance on agriculture and the agriculture sector.

Mr GRIFFITHS: True, but—

The Hon. K.O. FOLEY: I cannot do much about the weather. I know I am responsible for a lot, but I cannot do much about the weather.

Mr GRIFFITHS: In regard to that, federally, 3 per cent growth was achieved across the nation in 2006-07, I believe.

The Hon. K.O. FOLEY: Yes, but we rely so much on our crops. You live on the Yorke Peninsula. You have God's own country in part of your electorate, but there is a lot of the electorate that has not been able to grow, sow, harvest and get a yield out of the land. It has been one of the worst grain years.

Mr GRIFFITHS: Obviously it concerns you, even though you factored in a 4 per cent growth for next year.

The Hon. K.O. FOLEY: Yes. We are expecting a strong rebound. If we return to normal weather patterns, we expect there to be a bumper crop. Again, you drive in from Maitland, or wherever you live. I flew over there on a helicopter the other day when I went up to Port Hughes. It is very green out there right now.

Mr GRIFFITHS: It is.

The Hon. K.O. FOLEY: Incidentally, the helicopter ride was not paid by the government. It was paid fully by the company that wanted me to launch its development in beautiful Port Hughes, in your electorate. It looks good out there right now. Provided those rains can be sustained, we expect that we will be in for a bumper season. Dick Blandy, who did an independent economic analysis and presented it to business people last week, said much the same. I think he said about 3¾. These things are guesses, they are not exact science, but we think we will have a very strong, robust rebound. We have had strong commercial and business investment and we have had a strong manufacturing sector—which still maintained a very robust economy—but it only expanded by 1 per cent because we had the dead hand of the worst drought we have seen for generations that all but eliminated the farm sector from making a decent contribution.

Mr GRIFFITHS: I recognise that. With a \$30 million surplus, if you do not realise a 4 per cent projected growth in the next year, what will that do to your bottom line at the end of the financial year?

The Hon. K.O. FOLEY: If the sky falls in, we are in strife. We have made a prediction. As it has always done, Treasury makes conservative assessments and judgments on our revenue. It puts a lot of rigour and a lot of hard work into that. However, the surplus is thin next year; there is no question about that. I have told my colleagues that we have to be very resilient in what we can approve through the budget year in terms of new spending, because it is thinner than I would have liked. However, there are one-off factors

and some issues involved in that, because the next year it jumps up back to over \$200 million, I think. I would be very worried if the next year was \$40 million and the year after that was \$60 million, but our numbers jump back up into the \$200 million to \$300 million band in 2008-09, so that gives me great comfort.

Mr GRIFFITHS: I move on to Budget Paper 4, Volume 1, page 3.5. I refer to the 2007-08 targets on that page, point 7:

Critical analysis of agency financial performance and further improvements to monthly monitoring of agency budgets.

Will the Treasurer advise of any measures that have arisen in the last year with agency financial performance and agency budgets?

The Hon. K.O. FOLEY: We have a very good monitoring regime. It can always be better, but it is very good. When I came to office, there was an appalling lack of agency monitoring. In fact, under your government, this guru, Rob Lucas, as he is now called—out with the old, in with the new; thanks for that, by the way, it made my life a bit easier—required the Health Commission to report on a yearly basis, from memory, after the end of the year. So, they were given their appropriation and just let run for a year, and then they would report it. That was unacceptable to me.

We now have monthly reports coming to the Economic Review and Expenditure Committee of cabinet and to me, where agencies have to report against their budgets. That gives us an opportunity to intervene much earlier. We also have a discipline now with our chief executive officers where, if they meet budget problems, they have to alert their minister to it. If they cannot deal with it internally, they are now required, by very strict rules of government, to report that matter to me and the Under Treasurer so that we can get on top of it.

Mr GRIFFITHS: I refer again to Budget Paper 4, Volume 1, page 3.10, sub-program 1.2, Budget and Financial Management. Under the performance commentary it states:

Finance Branch assisted in finalising arrangements for the transfer of Department for Administrative and Information Services functions to agencies receiving functional responsibilities.

What issues arose as a result of the transfer of DAIS functions to other agencies, and are these issues still evident?

The Hon. K.O. FOLEY: The 2006-07 budget included a savings measure of \$4.5 million and \$12 million thereafter associated with the abolition of the Department of Administrative and Information Services (DAIS) and the Office of Public Employment. These savings were held centrally pending further work. The 2006-07 savings of \$4.5 million have not been achieved, and, as a result, they have been removed from the budget. Savings of \$3 million were generated from the abolition of the Office of Public Employment, and have been reflected in the 2007-08 budget of the Department of the Premier and Cabinet.

During 2006-07, work was completed to split the expenses, revenues, assets and liabilities of DAIS and transfer them into the Department of the Premier and Cabinet, the Department of Trade and Economic Development, the Department of Treasury and Finance, the Attorney-General's Department, and the Department for Transport, Energy and Infrastructure. For the purposes of presentation in this, the 2007-08 budget, the remaining \$9 million from 2007-08 associated with the abolition of DAIS is held centrally prior to allocation to agencies. Identification of the savings will be complete before

30 June to enable agencies to plan their 2007-08 activities. These savings will then be factored into agency budgets.

Mr HAMILTON-SMITH: Treasurer, the morning after the budget you were on Radio FIVEaa saying that taxes and charges have been increased in line with inflation. It is clear from the budget papers and from your comments today that, in a number of areas, taxes and charges have been increased well beyond inflation. Why did you make those comments on FIVEaa, if they were not accurate? Secondly, what rationale did you use to determine the level of increase for taxes and charges? Is there a methodology that is being used within Treasury and Finance that takes account of inflation and some other factors, or is it just a squeal factor—ratchet them up until the screams coming back from the public are such that enough is enough. What rationale are you using?

The Hon. K.O. FOLEY: Martin, your lack of understanding of budgetary matters should really concern your colleagues. Rob Lucas would never have asked me that question.

Mr HAMILTON-SMITH: That is a very predictable comment from you, Kevin. I am sure that you came in with a string of such comments ready for this afternoon.

The Hon. K.O. FOLEY: Rob Lucas would not have asked me that question. Do you know why? Because he set up the methodology: it was his methodology. I have repeated this ad nauseam since I have been Treasurer—did so on the day of the press conference—it is a combination of CPI adjustment with public sector wage movements that gives you the escalation factor for government fees and charges. It was a model put in place by your government—not ratcheting up, not the pain factor. I am advised that it was Rob Lucas, and I have no problem with that. As I said, he would not have been stupid enough to ask me that question, because he was the one who implemented it.

Mr HAMILTON-SMITH: So, every increase has been calculated using that same methodology?

The Hon. K.O. FOLEY: We have a general fees and charges increase using a methodology that is the combination of CPI increase and public sector wage movements to give us that number, so that we can maintain the level of services from one year to the next. A vast bulk of our expenditure is wages, so we have to have a wage movement factor.

Mr HAMILTON-SMITH: Did you use that methodology in regard to public transport fees and charges?

The Hon. K.O. FOLEY: No, there are exceptions.

Mr HAMILTON-SMITH: Oh, there are exceptions! So there are other methodologies.

The Hon. K.O. FOLEY: Yes, and that is what happened when you were in government.

Mr HAMILTON-SMITH: So, you used that methodology for some tax increases—

The Hon. K.O. FOLEY: No, we used that methodology for nearly the full majority. Transport tickets were increased exceeding that number, which we said at the time, was to take account of the fuel movement. The sharp spike in fuel prices required us to increase that in excess of what we normally would have done. It would have moved on this formula had it not been for the severe spike in fuel pricing. Water charges have increased more than that, because of the earlier question. Malcolm Turnbull, through the National Water Commission, is putting pressure on us as states to increase greater than inflation. There is an answer for that.

Third party premiums have increased by only 3 per cent—lower than the 4.2 per cent, because their methodology is set under a time-honoured tradition, which existed under your

government, of a reference from the Third Party Premiums Committee. Now, come on, Martin, that is basic stuff. If you are not across this, you are hopelessly behind in understanding the basics of the public finances. It should be an alarm to your colleagues. As much as I might have my issues with Rob Lucas—out with the old, in with the new—the new has to get across his brief. Rob would not have asked that question; that is quite embarrassing.

Mr HAMILTON-SMITH: Oh, really. That is a good bit of theatrics, Kevin, and getting better as time goes on. It is nice to know that you have a methodology that you are not using except selectively for certain taxes and charges in dreaming up—

The Hon. K.O. FOLEY: That is just an untruth.

Mr HAMILTON-SMITH: Well, where did you come with 20 per cent for speeding fines?

The Hon. K.O. FOLEY: Hang on! I am not going back to the earlier confrontation with you except to say this, Martin: for your own credibility, for your own standing, come on! I do not know what the percentage is—90 per cent, 95 per cent. Speeding fines were increased 20 per cent following no increases in 2006-07 and minor increases in 2005-06. There are categories for good reason. Malcolm Turnbull, your Liberal colleague, requires us to increase water at a vastly higher and faster rate than inflation. Your federal government requires that. A spike in petrol prices requires us to recover some of that in more expensive Metrotickets. The vast bulk of our taxes and charges, the thousands of fees and charges, are increased by a methodology put in place, I am advised, by your colleague under your government. Rob Lucas did it. He would not have asked me that question, because he was the bloke who put this methodology in place. Have all the cheap shots you like, mate, but it was exactly the same under your government.

Mr HAMILTON-SMITH: I love this flowery rhetoric from you, Kevin.

The Hon. K.O. FOLEY: It is fact.

Mr HAMILTON-SMITH: Well, how without asking will the parliament ever know if you have chosen to change the methodology? How, without asking, will—

The Hon. K.O. FOLEY: Because we put out a press release—

Mr HAMILTON-SMITH: This is what budget estimates are for: finding out what methodology you are using, whether you continued with previous methodologies, or whether you have changed them.

The Hon. K.O. FOLEY: Martin, that was not the question. This is where you change your questions when you have been caught out. You are now saying something that you did not say before. You said to me: do I just ratchet up the fees and charge to the scream level, or something like that—or the pain level. You did not ask me: are you continuing with the methodology put in place by Rob Lucas, yes or no? You did not; you did not even know it existed. I spoke about this methodology, no doubt, at my press conference at budget time. I have no doubt that I spoke about it at endless interviews; it is probably even in the press release. It has never been hidden; I am always forthcoming about it. The problem is, Martin, that you are not across your brief. I do not know whether Rob Lucas is talking to you, but you would need to have a few hours with that bloke and tap into his vast knowledge of Treasury matters and actually use Rob Lucas as a resource and get him to give you some detailed briefing, because he would not have written you that question and he would not have asked me such a silly question.

The CHAIR: Are you ready to move on to the administered items lines?

The Hon. K.O. FOLEY: It is up to the leader. I will do whatever he wants.

Mr HAMILTON-SMITH: We might as well move on.

The CHAIR: Leader, do you wish to move on to the administered items line?

The Hon. K.O. FOLEY: This is fun. I am happy to keep going. Have you got any more of these questions?

Mr HAMILTON-SMITH: Let's move on to the next phase.

The Hon. K.O. FOLEY: You have no more questions of me about Treasury? I have exhausted you, have I?

Mr HAMILTON-SMITH: I have about 50 or 60 here. We also have, in accordance with the program, questions on the Motor Sport Board, Motor Accident Commission, Super SA and SAFA.

The Hon. K.O. FOLEY: What is your priority? Whatever your priority is—

Mr HAMILTON-SMITH: Treasurer, why don't I move that we continue with Treasury until 4.45 p.m. and then we extend the sitting of the committee for another hour while we consider the Motor Sport Board, Super SA, SAFA, SAAMC and the Motor Accident Commission? Would you like to do that? If you are not keen to do it all, we will do it all because I have about 60 more questions here on Treasury. I can easily keep the committee going until about 8 p.m. Would you like to extend from 4.45 p.m. to 5.45 p.m. and we will do the lot?

The Hon. K.O. FOLEY: Mate, we agreed to a time line. I am happy to do this for you.

Mr HAMILTON-SMITH: We agreed to a time line at 3.45 p.m. and then you offered to extend—

The Hon. K.O. FOLEY: Yes, I was being a nice bloke.

Mr HAMILTON-SMITH: You just decided, so we are extending. Are you happy to keep that going—

The CHAIR: Order! Just calm down, please.

The Hon. K.O. FOLEY: I was just trying to be helpful.

Mr HAMILTON-SMITH: Just stop the rhetoric. You were not trying to be helpful at all; you were trying to be smart, so why don't we just—

The CHAIR: Order, leader! Just calm down and be quiet. The time agreed is until 4.45 p.m. The agreed program was that at 3.45 p.m. there would be a change of advisers and we would proceed to administered items. There has been a further agreement that we would not change at 3.45 p.m.; however, I wish to clarify whether there is an intention to change. I suspect that there are many public servants who would like to do something else if they are not required.

Mr HAMILTON-SMITH: Let's deal with Super SA and the others.

The CHAIR: I thank the advisers for their indulgence in making themselves available today, and I welcome new advisers to the table.

Additional Departmental Adviser:

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

Mr HAMILTON-SMITH: The opposition notes the excellent performance of the Motor Accident Commission, which I know has been the topic of debate in the house on a number of occasions. I refer to Budget Paper 3, page 6.6. What properties are held by the compulsory third party (CTP) fund? Have there been any acquisitions or disposals since 1 July 2006?

The Hon. K.O. FOLEY: I will bring a report back to the house.

Mr HAMILTON-SMITH: Is MAC satisfied with the investment performance of the properties?

The Hon. K.O. FOLEY: We are satisfied. There was that property you mentioned during the past couple of weeks on which a loss was made, but we will get the full report for you and you will see that, in fact, we made some outstanding returns on other property investments that more than outweighed that particular entity. The reality of any market is that sometimes you will pick something that will not work. But overall the return on the portfolio of property has been outstanding; they have been very good selections of property. We have Roger Cook, the chairman of Urban Construct, former state manager of Colliers and international manager based in Hong Kong who brings a significant level of extra expertise that relates to property, now chairing the board. Overall, the performance has been outstanding, but I will get a full report on that question for you.

Mr HAMILTON-SMITH: Referring to the same budget paper, what is the estimated figure in 2006-07 in regard to savings from prevention of fraudulent and exaggerated claims? Does the commission account for the extra costs involved in the discovery—

The Hon. K.O. FOLEY: The figure is \$6.792 million, which was realised from 91 cases in the 11 months from 1 July 2006 to 31 May 2007. This compares favourably with savings of approximately \$3.73 million on average annually from, and including, 2000-01. That is pretty good. Last year it was \$5.98 million, so the number has been increasing steadily, and it is a great return to the bottom line.

Mr HAMILTON-SMITH: Does the commission account for the extra costs involved in the discovery and investigation of these claims within that figure and, if so, what are those costs?

The Hon. K.O. FOLEY: That is a gross figure. The costs are very minimal and steady, I am advised.

Mr HAMILTON-SMITH: How much is estimated to be paid out in sponsorship in 2006-07? Who is involved and what are the purposes of the sponsorship by MAC?

The Hon. K.O. FOLEY: It is \$1.6 million for sponsorship and \$2 million for mass media. We will provide a list of who it has sponsored later.

Mr HAMILTON-SMITH: What legislative changes, if any, on road safety are to be proposed by MAC in the near future?

The Hon. K.O. FOLEY: I think that question is best put to the Minister for Road Safety, because the Motor Accident Commission's views and initiatives must finally find their way through the Minister for Road Safety where she gets input from other agencies.

Mr HAMILTON-SMITH: What is the current solvency level of the CTP fund?

The Hon. K.O. FOLEY: Very good. As at April 2007 the fund's net assets were \$410.3 million, or 108 per cent of the required level of sufficient solvency as determined by the legislative formula. This compares to 104.9 per cent as at 30 June 2006. CTP fund assets as a percentage of liabilities are at 124.4 per cent, and a profit is forecast this financial year of \$32.9 million—an outstanding performance. That is the budget. Stand by. Crikey! Sensational! This is what happens when people like Geoff Vogt make mistakes. It had budgeted for a profit of \$32.9 million at the beginning of the financial year. I must advise the committee that that will not be achieved. He made an error. It will be a \$104.4 million

profit. That is a threefold profit increase. That is what we like to hear.

Mr HAMILTON-SMITH: You should get the Motor Accident Commission to take over WorkCover; we might get some results. The Treasurer does not seem that enthusiastic about it. That is all for the Motor Accident Commission.

The Hon. K.O. FOLEY: Thank you, Geoff, for staying all day for that. Now, Super SA?

Mr HAMILTON-SMITH: Yes, just briefly.

Additional Departmental Adviser:

Mr J. O'Flaherty, General Manager, Superannuation, Department of Treasury and Finance.

Mr HAMILTON-SMITH: Will the Treasurer update the committee on plans to deal with the unfunded superannuation liability going forward?

The Hon. K.O. FOLEY: I think I am right in saying that we have adopted the model put in place by your hero Stephen Baker to fully fund unfunded superannuation liabilities by 2034, and we have not deviated from that plan. We have not dipped into it, we have not adjusted it. What Stephen Baker put in concrete we have left in concrete.

Mr HAMILTON-SMITH: Given that he is not here, could the Treasurer outline to the committee for those who were not here in 1993-95 how that process will unfold between now and 2034 in overview?

The Hon. K.O. FOLEY: Clearly, the Hon. Rob Lucas does not talk to you, because that is a question you could have asked him.

Mr HAMILTON-SMITH: It is always better to ask the Treasurer.

The Hon. K.O. FOLEY: Clearly, you and Rob are not talking. I say this with the hand of friendship: if you need briefings, and clearly you do on a range of things, have a chat to me later. I will get our Treasury officers to brief you on a whole lot of stuff, mate.

Mr HAMILTON-SMITH: All right. It would be awfully nice for the committee to be informed and updated.

The Hon. K.O. FOLEY: It must be difficult for you, given that you and Rob are not talking. He has a vast knowledge, and I would have thought he would share it with you.

Mr HAMILTON-SMITH: We all cuddle each other on a daily business, Treasurer.

The Hon. K.O. FOLEY: The unfunded superannuation liability as at 30 June 2007 is estimated at \$5.741 billion. This is a reduction in the unfunded liability of \$405 million. You hear about it when these unfunded liabilities go up but you never hear from the opposition when they go down. It has come down \$405 million since 30 June 2006. The forecast decrease in the value of the unfunded superannuation liability is primarily due to stronger than expected returns achieved by Funds SA in 2006-07. Earnings for 2006-07 were expected to be 17.2 per cent.

The schedule for funding the unfunded superannuation liability by 2004 shows liabilities increasing until 2012 and then steadily decreasing until fully funded in 2034. A past service payment of \$235 million is included in the budget in 2007-08. The unfunded superannuation liability is estimated to increase to \$5.791 billion as at 30 June 2008.

Mr HAMILTON-SMITH: That is all I have on Super SA.

The Hon. K.O. FOLEY: It has performed very well in terms of its returns and serving its client base.

The CHAIR: Which area would you like next, leader?

Mr HAMILTON-SMITH: The Motor Sport Board.

Additional Departmental Advisers:

Ms C. Francis, Marketing Manager, South Australian Motor Sport Board.

Mr G. Staniforth, Chief Financial Officer.

Mr HAMILTON-SMITH: I refer to Budget Paper 4, Volume 1, page 3.42. Will the Treasurer update the house on the current status of the proposed redevelopment at Victoria Park for a multi-user grandstand?

The Hon. K.O. FOLEY: I am flying by the seat of my pants here. Everyone get worried: I do not have a briefing. Yes, I do. We are heading into a fairly interesting period. The current situation is that the Adelaide City Council agreed with a revised proposal. It then gave us a green light. We have expended a lot of money and effort to firm up that proposal. We have been in negotiations for a lease. The government, the SAJC and the Adelaide City Council have to get to a landing on the lease agreement. My understanding is that is very close to being agreed to. Apparently Rod Hook is answering those questions. Did the leader ask him those questions last night? He should have.

Mr HAMILTON-SMITH: It is motor sport.

The Hon. K.O. FOLEY: No, but the Office of Major Projects and Infrastructure is managing this project. The leader may have to put some questions on notice. I will give the honourable member what I can. I am advised that he is here. He is behind me. This bloke is everywhere! Come forward. Whenever I turn around, there is Rod Hook. Rod, perhaps you can give the specific details, and then I might add a few words.

Additional Departmental Adviser:

Mr R. Hook, Executive Director, Office of Major Projects and Infrastructure, Department for Transport, Energy and Infrastructure.

Mr HOOK: The next steps in the process are to, first, lodge a development application with the council and refer it to the Development Assessment Commission. The application will be lodged in the next couple of days. The council then has a responsibility to deal with the lease. There is a proposal for a lease and some associated plans with the council. The council has to agree to put those plans on public exhibition. The council wants to attach the development application to that, and that will be on exhibition for three weeks. After that time the council will decide on the granting of the lease. The Development Assessment Commission works through its normal process on deciding on the development consent. There are then other matters, such as the Public Works Committee reports, to deal with if those approvals are indeed given.

The Hon. K.O. FOLEY: The Adelaide City Council, together with the mayor, was the body that initiated this proposal. I have to put on the public record that Martin Hamilton-Smith was the first member of the opposition to privately congratulate me on getting this thing up, and I appreciate that and thank him for it. Mr Hamilton-Smith is a lover of motor sport.

Mr HAMILTON-SMITH: We have that in common.

The Hon. K.O. FOLEY: Exactly. Even though the then leadership of your party was giving all sorts of wobbly positions on it, you came up to me one night and said, 'Well

done.' You wished that you had the ability to say that publicly, and I respect that.

Mr HAMILTON-SMITH: Thanks for respecting the confidentiality of our private discussion. I might just reveal a few of our further private discussions if you keep going.

The Hon. K.O. FOLEY: Don't forget, I still issue the tickets for next year.

Mr HAMILTON-SMITH: We might fill the chamber in a matter of seconds.

The Hon. K.O. FOLEY: We then entered into good faith negotiations. The council finally approved it after a bit of vacillation, and the mayor took leadership. As bizarre as this process is from my point of view, we have to get the vote of the council to approve the lease. There may be a vote even when the lease goes out to consultation but, certainly, there will be a vote as to whether or not the council approves that lease. One councillor, Anne Moran, was quoted in the newspaper as saying she might change her mind.

Let's think this through. If the Adelaide City Council wants to be taken seriously as a level of government governing our beautiful CBD of Adelaide, whether or not you like the grandstand, once you have given the green light to the government to proceed with the development, you cannot then, in the government's view, take a decision later in the piece to nobble it. My fear is that the Adelaide City Council may, in fact, do a backflip and may try to cancel this project, after having given us in good faith the green light. I hope commonsense will prevail. However, I have to say that, if the Adelaide City Council and its councillors, having conducted negotiations in good faith, and having given the signal to the government, to the marketplace, and to motor sport lovers that this grandstand can go ahead, were to welsh on that and be destructive, it will send a terrible message in this state. I would argue that the legitimacy of the Adelaide City Council would seriously come into question.

I would hope that the Leader of the Opposition would support me in saying that the council made the benchmark decision to support this project if the council's officers, our officers and SAJC officers can agree on the lease. If the council then tries to kill off this project, in my view as the Treasurer, the legitimacy of the Adelaide City Council is seriously in question. I am not going to sit by as a member of the cabinet of this government and allow our government to be treated like that. We will have to explore what options we have available. It may well be legislative options, and it may well be a whole lot of other options. On the scale of one to 10, there are plenty of serious options available to us.

I want to send this message very clearly to the Adelaide City Council: you have made your decision to back the grandstand at Victoria Park. It was the right decision, and we have now acted in good faith and we have accepted your decision. We have spent a lot of money as a government and we have put in a lot of resources and a lot of effort, and we expect the Adelaide City Council to maintain its support. If it chooses not to do so, it will be the single most destructive signal to development this state has seen for a very long time, and the legitimacy of that local council, in my view, will come into question. You cannot deal with a local council that would do that to a government. I hope that never occurs, and I hope that my fears are not realised. However, I hope that I have the support of the opposition in sending a very clear message to the council that it should not muck us about on this one.

Mr HAMILTON-SMITH: I gather from your answer, Treasurer, that you have concerns that the council will not approve the lease arrangements?

The Hon. K.O. FOLEY: After my comments, I think you can take that as a safe bet.

Mr HAMILTON-SMITH: I gather you have spoken to the councillors and you have done the numbers, and you are fairly sure they are going to oppose it?

The Hon. K.O. FOLEY: No, I am not. I have read in the Messenger Press where councillor Anne Moran has said that just because she voted one way once does not mean she will vote that way again. There are concerns about the health of Bert Taylor in terms of his ability to vote. Yes, the numbers may not go our way, Martin, and I am absolutely concerned about that. I hope my fears are not confirmed. Would we have your support for—

Mr HAMILTON-SMITH: I gather one of the options you would then consider is legislation?

The Hon. K.O. FOLEY: Would you support us?

Mr HAMILTON-SMITH: Well, we will see what happens. I am not answering hypotheticals.

The Hon. K.O. FOLEY: Oh, come on. You have supported me privately, now you have to—

Mr HAMILTON-SMITH: I am asking you questions, and you are, hopefully, trying to give me some answers. Is another option, from the words you have chosen to use in your answer, some step towards attacking or winding up the council? You have raised a question about the legitimacy of the council.

The Hon. K.O. FOLEY: Yes, absolutely.

Mr HAMILTON-SMITH: Are you threatening action by the government to try to wind up the Adelaide City Council?

The Hon. K.O. FOLEY: No, I am not saying that. What I am saying is that I know that you support this project. We are on a very, very firm time line. If we get held up unnecessarily, we will not be able to build this grandstand for the 2009 race. It will slip to 2010, and it may well put the whole project off the books completely. I want this project delivered, and I know that you want it delivered. My appeal to you is: if we have to come to a legislative approach, if we have to legislate a lease, I hope that we would have your full support to do that rapidly. I know that there are strong supporters in your party who would support me on that.

Mr HAMILTON-SMITH: Well—

The Hon. K.O. FOLEY: No; let me finish. That would be strong action. What I am saying is that, if the Adelaide City Council stand up the government, as far as I am concerned, as the Treasurer of this state, it is not an outfit worth dealing with. If it stands us up on this, it is not to be taken legitimately by me. That is not a whole-of-government view; it is my view. Quite frankly, there has been many a time when I would have sacked this council at a minute's notice. I think it is an impediment to growth in this state. I think it is a frustration to growth in this state. Having dealt with it in the way I have in recent months, I think it is a pretty ordinary outfit. Right now, however, I want it to support the government and its own decision and give us a clear passage to deliver what the overwhelming majority of South Australians want.

Mr HAMILTON-SMITH: What is the current cost of the proposed project and the funding mix? Who will own the facility when it is finished?

The Hon. K.O. FOLEY: The expected development cost is \$54 million, although I do not want to give a complete

break down. We hope that the government's contribution will be around \$35 million. We are in negotiation with the SAJC, and its contribution is contingent upon some factors relating to other matters, such as Cheltenham, etc. We have not signed off on that, but we would be getting a substantial contribution from the SAJC, which, of course, would be a major beneficiary of this project.

Mr HAMILTON-SMITH: Who will then own the building once it is completed?

The Hon. K.O. FOLEY: Obviously, the facility will be built on land owned by the council. We will own the building and maintain it, but there will be various lease arrangements for use by the Motor Sport Board and by the SAJC.

Mr HAMILTON-SMITH: Did I just hear that government will own the building?

The Hon. K.O. FOLEY: We are building it, yes.

Mr HAMILTON-SMITH: The whole building?

The Hon. K.O. FOLEY: Yes.

Mr HAMILTON-SMITH: But there will be lease arrangements for the SAJC?

The Hon. K.O. FOLEY: For usage by the SAJC and by us.

Mr HAMILTON-SMITH: Is the design of the building completely resolved as an appropriate design between government, the council, the SAJC, and the Motor Sport Board?

The Hon. K.O. FOLEY: Pretty well. There may be some minor things at the margin. There have been some minor modifications, following consultation, and we have the plan ready to lodge with the Development Assessment Commission.

Mr HAMILTON-SMITH: Are you expecting that, as a condition of approving the lease, the council or councillors might ask you to revisit the design of the building? Is that what you are expecting?

The Hon. K.O. FOLEY: Nothing would surprise me. I would not be at all surprised if that came up from the floor of the council, and that is why I say that it has treated us pretty poorly all through this. It has given us great uncertainty. We want that certainty.

Mr HAMILTON-SMITH: Who will manage the building of the facility and guide the whole process forward?

The Hon. K.O. FOLEY: The risk management building services of government will manage the project in accordance with any other government-built project. The client will be the Motor Sport Board.

Mr HAMILTON-SMITH: Does the government have any plans to revisit the issue of the Britannia roundabout, either separately from or in conjunction with this project?

The Hon. K.O. FOLEY: Well, certainly not in conjunction with this project. That is something you would have to put to the Minister for Transport.

Mr HAMILTON-SMITH: Is the government concerned about the prospect of any legal challenges that may arise to challenge the project, with or without the approval of the lease by the council?

The Hon. K.O. FOLEY: My advice is that legal action is underway already by the Parklands Preservation Society. Again, I say to the leader: in politics one is always tempted to keep one's cards close to one's chest, but an early indication, from you on behalf of your party, that you would support speedy legislation in terms of the lease would be very beneficial for the project. It would be a very significant bipartisan move and an honour to you as leader if you could

deliver that to us as soon as possible. That way, we will give the council a clear message: don't muck with this parliament.

Mr HAMILTON-SMITH: Is the government determined to—

The Hon. K.O. FOLEY: I take it that you will not give me that.

Mr HAMILTON-SMITH: Well, I am here to ask the questions, not answer them, particularly hypothetical questions about 'what if', etc.

The Hon. K.O. FOLEY: Okay. Maybe the media can put that question to you.

Mr HAMILTON-SMITH: You deal with the facts you have, not what might happen.

The Hon. K.O. FOLEY: I just had the faint hope that you would show some bipartisan support, but never mind.

Mr HAMILTON-SMITH: Is the government considering the option of not proceeding with the project if the lease is not approved?

The Hon. K.O. FOLEY: No; if it is not approved, it is not approved.

Mr HAMILTON-SMITH: Is the government absolutely resolved to see this construction happen, regardless of whether or not the lease is approved?

The Hon. K.O. FOLEY: If you are asking whether I am prepared to build something illegally without a lease, the answer is: no; that would be somewhat risky.

Mr HAMILTON-SMITH: But you are resolved to take whatever steps—

The Hon. K.O. FOLEY: The only step I can see is to legislate, and that is where I appeal to the opposition that, if the council does not get its act together and plays a destructive role in this, let us sideline them and deal with it in this parliament. I would like to be able to sit down with you and get your support for that. If you want to play politics and not support it, the project is dead, and it will be you and the Adelaide City Council who have killed it.

Mr HAMILTON-SMITH: Perhaps we could sit down and have a confidential discussion so that it can be repeated in the house.

The Hon. K.O. FOLEY: Come on; that was just light-hearted. You didn't mind that.

Mr HAMILTON-SMITH: Essentially, you are seriously concerned that the lease will not proceed.

The Hon. K.O. FOLEY: I have said that three times. We are not sacking the council, as much as I might like to, because that is just the sort of bloke I am. We have to legislate.

Mr HAMILTON-SMITH: Will the Treasurer rule out, just before the committee, any prospect of gaming machines at any time in the future?

The Hon. K.O. FOLEY: Yes, rule it out.

Mr HAMILTON-SMITH: Moving to the costs of setting up and deconstructing the event under the present arrangements: last year the Premier advised the committee that the construct and destruct costs were around \$9 million, and the estimate for 2007 was \$9.4 million. Can you now provide an update on those figures for the 2008 event and, going forward to 2009, do you expect them to grow on each occasion?

The Hon. K.O. FOLEY: The cost this year, leader, is \$9.463 million. Was there another part of that question?

Mr HAMILTON-SMITH: You are expecting that to go up further the following year?

The Hon. K.O. FOLEY: I guess so; normal inflationary and other costs. Don't forget, though, even with the new

grandstand there will still be set-up costs of the other grandstands. So you don't eliminate that completely.

Mr HAMILTON-SMITH: How do your forward projections look with regard to the profitability and net cost of this event, once you have taken into account all incomings and outgoings? What is it likely to cost government per annum under the current arrangements going forward in this financial plan for the next three years?

The Hon. K.O. FOLEY: We think we will make about a \$600 000 saving per year, which is a conservative figure. Currently we provide a capital work funding as a government of \$400 000 to the Motor Sport Board for 2007-08. Going forward, we are providing \$400 000 and recurrent funding of \$1.928 million. Bear in mind that we are getting pretty close to the \$300 000 mark. The Grand Prix in Victoria got \$301 000 and we got \$276 900, which is not a big difference—\$20 000 to \$30 000. But, if reports are to be believed, it is costing Victorian taxpayers anywhere between \$30 million to \$35 million a year at least to fund that race. Ours is a couple of million. It is a great race.

Mr HAMILTON-SMITH: I am just looking at the financial drivers for the decision to build the grandstand. As it looks, it has a net cost to government of around \$2 million. Are you thinking you can get that down, by \$600 000—

The Hon. K.O. FOLEY: By about \$600 000, yes.

Mr HAMILTON-SMITH: In the years going forward, under the current arrangements, possibly down to as little as \$1.4 million net cost to government?

The Hon. K.O. FOLEY: Possibly, yes, that is what we are expecting.

Mr HAMILTON-SMITH: If the grandstand proceeds, will the Motor Sport Board be required to make a payment? Will it have some ownership of the grandstand? Will there be any financial obligation on the Motor Sport Board to meet an ongoing return to government for that cost?

The Hon. K.O. FOLEY: The government will own that facility. We will fund it from our capital outlay, and the Motor Sport Board will rent the facility from us. But don't forget the other big saving from building the grandstand is that a lot of that infrastructure, as you know, the pits and all of that, is pretty old stuff, and we have to replace it. Somewhere between \$7.5 million and \$9 million would be required, I am advised, to build the new temporary infrastructure. That stuff is pretty dated. Some of it goes back to Grand Prix days.

Mr HAMILTON-SMITH: Right, so you are up for a cost anyway.

The Hon. K.O. FOLEY: If you have somewhere between \$7 million and \$9 million as a new spend and you are getting \$600 000 a year, it does not take too long to bring that back in terms of net present value. Building a grandstand is a financially sensible thing to do. It also gives us a much better facility. It will give much better pits and a much better configuration.

Mr HAMILTON-SMITH: Will the government be generating any revenue from the new facility, either from the South Australian Jockey Club (SAJC), or from the Motor Sport Board—

The Hon. K.O. FOLEY: No.

Mr HAMILTON-SMITH: Or, in effect, will you be building a bit of infrastructure on a co-ownership basis and just handing it over for use?

The Hon. K.O. FOLEY: There will be lease arrangements, but this is not a money-making venture for government.

Mr HAMILTON-SMITH: You will not be generating any revenues?

The Hon. K.O. FOLEY: No.

Mr HAMILTON-SMITH: There will not be any leases or rentals or—

The Hon. K.O. FOLEY: Other than to the Motor Sport Board and the SAJC; we are not allowed to under the lease to make it available for other community activities, although the council did say they want to be able to use it whenever they want, apparently. They wanted to limit how much we use it, but I think they have told us that they want to have access to it all the time.

Mr HAMILTON-SMITH: Okay. Madam Chair, in the three minutes that remain, we would like to read in some omnibus questions.

The CHAIR: Yes. Nothing for the super people?

Mr HAMILTON-SMITH: No; we have dealt with super. We did not deal with SAICORP or SAFA.

The CHAIR: Thank you, advisers.

Mr GRIFFITHS: The question are as follows:

1. Will the Treasurer provide a detailed breakdown of the baseline data that was provided to the Shared Services Reform Office by each department or agency reporting to the Treasurer, including the current total cost of the provision of payroll, finance, human resources, procurement, records and management, and information technology services in each department or agency reporting to the Treasurer, as well as the full-time equivalent staffing numbers involved?

2. Will the Treasurer provide a detailed breakdown of expenditure on consultants and contractors in 2006-07 for all departments and agencies reporting to the Treasurer, listing the name of the consultant and contractor, cost, work undertaken and method of appointment?

3. For each department or agency reporting to the Treasurer, how many surplus employees are there as at 30 June 2007, and for each surplus employee what is the title or classification of the employee and the total employment cost of the employee?

4. In financial year 2005-06 for all departments and agencies reporting to the minister, what underspending on projects and programs was not approved by cabinet for carry-over expenditure into 2006-07?

5. For all departments and agencies reporting to the Treasurer, what is the estimated or actual level of under-expenditure in 2006-07, and has cabinet already approved any carry-over expenditure into 2007-08 and, if so, how much?

6. (i) What was the total number of employees with a total employment cost of \$100 000 or more per employee, and also, as a subcategory, the total number of employees with a total employment cost of \$200 000 or more per employee, for all departments and agencies reporting to the Treasurer as at 30 June 2007?

(ii) Between 30 June 2006 and 30 June 2007, will the Treasurer list the job title and total employment cost of each position with a total estimated cost of \$100 000 or more (a) which has been abolished; and (b) which has been created?

7. For the years 2005-06 and 2006-07, will the Treasurer provide a breakdown of expenditure on all grants administered by all departments and agencies reporting to the Treasurer, listing the name of the grant recipient, the amount of the grant and the purpose of the grant, and whether the grant has been subject to a grant agreement as required by Treasurer's Instruction No. 15.

8. For all capital works projects listed in Budget Paper 5 that are the responsibility of the minister, list the total amount spent to date on each project.

The CHAIR: Any response, Treasurer?

The Hon. K.O. FOLEY: No, I am captivated by those questions.

The CHAIR: The time agreed having expired, I declare the examination of the proposed payments adjourned and referred to Estimates Committee B. I thank the Treasurer for being a very indulgent witness.

ADJOURNMENT

At 4.46 p.m. the committee adjourned until Friday 29 June at 11 a.m.