

HOUSE OF ASSEMBLY
Wednesday 25 June 2008
ESTIMATES COMMITTEE A

Chair:

Ms M.G. Thompson

Members:

Ms V. Ciccarello
Mr S.P. Griffiths
Mr M.L.J. Hamilton-Smith
Mr T.R. Kenyon
Mr A.S. Pederick
Mr T. Piccolo

The committee met at 09:00

HOUSE OF ASSEMBLY, \$7,708,000
JOINT PARLIAMENTARY SERVICES, \$9,676,000
LEGISLATIVE COUNCIL, \$5,006,000

Witness:

The Hon. M.D. Rann, Premier, Minister for Economic Development, Minister for Social Inclusion, Minister for the Arts, Minister for Sustainability and Climate Change.

Departmental Advisers:

Mr M. Lehman, Clerk, House of Assembly.
Mr K. Nelson, Chief Finance Officer, Legislature.
Dr C. Stanley, Parliamentary Librarian, Parliamentary Library.
Mr P. Spencer, Leader, Hansard.
Mr C. Grantham, Catering Manager, Catering Division.

The CHAIR: As members know, there are some procedures that we need to go through to start the day and I will begin by setting the overall parameters of estimates. 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 consideration of proposed payments to facilitate changeover of departmental advisers. I ask the minister and the lead speaker for the opposition if they could indicate whether they have agreed on a timetable for today's proceedings and, if so, will they provide a copy to the chair? Is that your timetable?

The Hon. M.D. RANN: Yes.

The CHAIR: Changes to committee membership will be notified as they occur. Members should ensure 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 18 July. 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 assembly *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 the minister's advisers. The minister may refer questions to advisers for a response. I also advise that, for the purposes of the committee, television coverage will be allowed for filming from both the northern and southern galleries.

I declare the proposed payments open for examination and refer members to the Budget Statement, in particular Appendix C. Premier, I will invite you to make a short statement if you wish.

The Hon. M.D. RANN: On the issue of parliament, I am quite happy to go straight into it and save opening statements until later.

The CHAIR: Leader, do you have any questions relating to the parliament?

Mr HAMILTON-SMITH: Yes. Will you be making any opening remarks, Premier?

The Hon. M.D. RANN: I will seriatim—or one at a time, as I have often said.

Mr HAMILTON-SMITH: I do have some questions on the parliament. I refer to Budget Paper 3, Appendix C, page C.3—a table which includes the budget for the Legislative Council. What has happened to the Premier's plans in relation to a proposed referendum to abolish the Legislative Council or other reforms. Has that been budgeted for; will it be happening; and, if so, when; and what are the government's intentions?

The Hon. M.D. RANN: My intentions are exactly as I previously indicated at the last election. We went to the people with a resounding result saying that, if we were elected, I would propose that the people of the state have an opportunity to vote at a forthcoming election—so that would be at the time of the next state election in March 2010—on reforms to the Legislative Council.

I think anyone who has been in this parliament for any amount of time would be concerned about the way in which this parliament still reflects the 19th century, not the 20th century. For instance, it concerns me greatly that we have legislative councillors who serve for eight years. There are very few places in the world where any elected member of parliament actually gets an eight-year term—not even the president of France which I think is about the longest. Seven years, I think, Mr Sarkozy will be around for. The term of the president of France is seven years, but the South Australian Legislative Council is for eight years.

You can see changes in the people's will. They might want to elect a new government in a landslide or throw a government out in a landslide, which we have seen, but still the Legislative Council keeps on keeping on. So what I have suggested, what I propose and what I absolutely want to see happen in the 2010 election is that there be a referendum that will allow the people of South Australia to bring this parliament into the 21st century.

They will be given three options. The three options would be, in my view—and I know the Attorney-General is working on this: do you want the existing situation to be perpetuated—eight-year terms with no electorate officers, no electorates to serve, but somehow based up there representing people in Wudinna and elsewhere—or do you want to see four-year terms, do you want the existing operations to continue or do you want there to be reform of the Legislative Council with it perhaps being a real house of review with a stronger committee system, perhaps doing some of the work that we are doing today?

Most people believe that the estimates committees have not been effective for the last 25 years since they were established. I think they were established by my good friend premier David Tonkin. What I want to see put to the people is: do you want the Legislative Council to remain as it is? If they do, then it is the people's will. Do you want to abolish the Legislative Council—again, it is the people's will: it was done in Queensland; it was done in New Zealand—or do you want to reduce the number of members of parliament in the Legislative Council, or do you want to reform the Legislative Council by having four-year terms rather than eight-year terms, so that at each election the people of South Australia have an opportunity to determine their own political future. Those are the issues that I want put to the people.

Mr HAMILTON-SMITH: When will we see the legislation to prosecute that plan?

The Hon. M.D. RANN: There would have to be legislation to set up the conditions of the referendum, and obviously that would have to be done before March 2010, so I would imagine that the legislation would be available in 2009.

Mr HAMILTON-SMITH: I refer to Budget Paper 4, Volume 1, page 1.28. Does the government still have plans to hold a regional sitting of parliament before the next election? If so, when will that be and where?

The Hon. M.D. RANN: I think all of us were very pleased that there was a regional parliament. I cannot remember whose idea it was, actually, but it may have been Speaker Such. I am not sure. Anyway, we had a regional parliament in Mount Gambier and I believe—and I believe that the opposition believed at the time—that it was a good thing to do.

We held it at the Sir Robert Helpmann Theatre in Mount Gambier. The proceedings, which went over three days, provided an opportunity, particularly for schoolchildren, but not just schoolchildren, to come and watch the operations of the parliament, including question time which was held on the stage.

I think the only problem was that, because of the stage lights, all of us felt as if we had been cooked by the end of the experience: it was so hot. Certainly, the people of Mount Gambier believed that it was worthwhile to demonstrate that the parliament is not about just Adelaide but all the people and all the regions of the state. I have certainly tried to enshrine that in our own cabinet process by having a member of parliament who is not Labor, even though we have a record majority for Labor from Mount Gambier, and also Karlene Maywald from the Riverland. It is about bringing the regions and rural South Australia and a different culture to the cabinet table.

So, I would like to see another regional parliament, and I think that there was a general consensus that it should be in the north of the state. Obviously those are things that we would want to negotiate with you, Mr Hamilton-Smith, because I think that would be appropriate. There needs to be agreement by both sides. I can see the member for the Barossa looking very anxious—he probably wants one. He is a baron of the Barossa, and he probably wants one in the Barossa Valley, but maybe it will be a bit further away than the Barossa Valley. Obviously, there are issues and one suggestion was that the Legislative Council meet in the north—that would be exciting. That could be a possibility because it was only the House of Assembly that met in Mount Gambier, but I am obviously open to that whether it is the Legislative Council or the House of Assembly. You have to get the facilities, and it was a big logistics exercise to move the whole parliament—Hansard and all the other support services—let alone the microphones and so on, so we have to find the right venue. Also, we want to know that the local people welcomed it and wanted it.

Mr HAMILTON-SMITH: I take it from that answer, Premier, that you have no exact location in mind other than just in the north generally—not Port Augusta or Whyalla?

The Hon. M.D. RANN: Port Augusta was mentioned and, of course, Port Augusta has been recently designated, as you would know, as the regional centre for culture, and that is something that we intend to move to a different venue every couple of years which brings forward a whole series of dance, music and festivals. So, Port Augusta did very well out of it. I think the next one is in Murray Bridge, which is going to be terrific. This is an idea and, even though I am Minister for the Arts, it came from John Hill as minister assisting and it is based on the European capital of the arts process that they have. Certainly, other people have said that Port Augusta has had that so maybe it should be Whyalla, given that it is the second biggest regional city after Mount Gambier, but those are matters that we can sort out—

Mr Hamilton-Smith interjecting:

The CHAIR: Order! The leader may as well start off now. I am reminding you that you need to go through the chair. I also remind you that we are due to move on so you had better make this your last question.

Mr HAMILTON-SMITH: This could be a very long day, Madam Chair, if you are going to pull up the opposition on every minor technicality—it could be a very long day.

The CHAIR: Leader, that is not a minor technicality.

Mr HAMILTON-SMITH: I am clarifying. I have asked two questions and I am seeking to get a full and proper answer. I am simply asking to clarify, through you—

The CHAIR: Order!

The Hon. M.D. RANN: The leader does not have to be aggressive. I know that you are being told by your polling that you need to be more aggressive to punch through but you don't have to do it and be offensive to members of parliament.

Mr HAMILTON-SMITH: Can we get onto the substance of things, Madam Chair, if you don't mind?

The CHAIR: Leader, will you please recall that the ordinary processes of the parliament apply and that means you go through the chair.

Mr HAMILTON-SMITH: I am going through the chair; I don't need reminding of that.

The CHAIR: Order! My reason for being insistent now is that if this is what is happening now, when we get to the more emotional matters, things get very easily out of control if both the witness and the members forget to go through the chair. Leader, you had a final question then we will move on to State Governor.

Mr HAMILTON-SMITH: I am still on the second question, which was about a regional sitting of the parliament. I am asking the Premier through you, Madam Chair: I take it that Whyalla is the preferred location and could you be more specific about an exact time, Premier. Would it be in the first half of next year or the second half?

The Hon. M.D. RANN: That has not been determined, and it is certainly not true that that is the preferred location. I want to know that the councils in the areas would want it, that it is welcomed and all of those things. Also, I do not think there is any need for you to be rude or aggressive, because I think that we need to set an example to the people of this state, but if it helps you politically, then go ahead. The thing is that I want to know that people have welcomed it. I would not want to announce it for Whyalla and then find that the opposition came out and said that that was the wrong location. I would not want to announce it for a city and then be told that it was not welcomed or supported or that the venues were not sufficient. We did it in 2005 and I think that the idea was to do it four years later, which is in 2009, so we have plenty of time to plan for it. We did it mid-year, so that gives us a year.

The CHAIR: The time agreed for the examination of this line has expired. I declare the consideration of the proposed payments completed. We will move to the opening of the line relating to the State Governor's Establishment, so I declare the proposed payment open for examination.

STATE GOVERNOR'S ESTABLISHMENT, \$3,181,000

Departmental Advisers:

Mr W. McCann, Chief Executive, Department of the Premier and Cabinet.

Mr T. Goodes, Executive Director, Services Division, Department of the Premier and Cabinet.

Ms R. Read, Director, Corporate Affairs Branch, Services Division, Department of the Premier and Cabinet.

Ms M. Griffiths, Manager, Budgets, Corporate Affairs Branch, Services Division, Department of the Premier and Cabinet.

The Hon. M.D. RANN: Maybe I could make a few points about the Governor's establishment, with the permission of the leader. Last year, we farewelled the outgoing governor, Marjorie Jackson-Nelson, and the former lieutenant-governor, Bruno Krumin. Since the last estimates committee, the state has welcomed the incoming Governor, His Excellency Rear Admiral Kevin Scarce, and our new Lieutenant-Governor, Hieu Van Le.

Since being sworn in as Governor last August, His Excellency Kevin Scarce has performed the role with great energy, approachability and with the strong support of his wife, Liz. Having been born and bred in South Australia, growing up in Woomera and Elizabeth, His Excellency has shown a deep affinity for our state. He has been able to bring people together by advancing their interests and uplifting their aspirations. His knowledge of and commitment to our rapidly expanding defence industry is of enormous benefit to our state.

Each governor brings with them a different perspective. For instance, Sir Eric Neal was appointed by our predecessors. He was an outstanding governor who led trade negotiations overseas. The opposition at the time had no problem with that, because each governor brings something different. That is why they are appointed: they bring a different personality and a different expertise. So, what we have seen makes absolute sense, given that Rear Admiral Scarce not only was the head of the South Australian Defence Unit which helped us with the air warfare

destroyer contract, but he used to head the Defence Materiel Organisation (DMO). His special expertise means that we have been able to utilise his services in the interests of the state.

We want our governors to be more than ceremonial figures. We have been very lucky by having a series of working governors who bring expertise to their role in different areas. Rear Admiral Scarce has been ably assisted in his role by Lieutenant-Governor Hieu Van Le. Mr Le and his wife, Lan, provide inspiration and encouragement for all South Australians. Of course, at the same time, Hieu Van Le is Chair of Multicultural and Ethnic Affairs in South Australia.

This year, His Excellency Kevin Scarce has undertaken an ambitious program of engagements that have included official visits to London and Dubai in support of South Australia's defence and trade interests. During his time in Dubai, I think there was a match between the Crows and Collingwood. John Brumby was there representing Victoria and Kevin Scarce was representing South Australia. The fact that we have a Governor who can sit down and talk with world leaders in terms of defence is incredibly helpful to our state. He has been involved in an extensive program of industry and community visits, including a number of visits to rural areas.

In the coming year, His Excellency plans to engage even more extensively with the South Australian community, especially Aboriginal groups and young people. He will take an active role in helping to educate schoolchildren and others about the Governor's role.

The Industry Visits program is also being expanded to enable him to promote the state's industry and potential to overseas and interstate visitors. As a result, Government House has been meticulously maintained to enable His Excellency to stage events that reward community achievement and to host visitors. Recent works are focused on ensuring the incumbent's security, as well as reducing water and energy consumption.

The following projects were undertaken in 2007-08: relocation of air conditioners and conversion to more energy-efficient models which reduce potential risk of damage to roof slates and address safety requirements of contractors; rainwater harvesting and improvements to the irrigation system in line with the water-saving objectives identified in the 2004 Gardens and Grounds Master Plan; an upgrade of the VIP guest rooms, which has been occupied successively by the last two governors and have not been renovated for more than 10 years; the upgrade of painting, carpets, curtains and upholstery in line with the Government House Master Plan; internal security treatment, the last phase of ASIO recommended security treatments to the site which, due to improvements in technology, cost significantly less than originally estimated; and the implementation of further stages of the garden bed design project, moving towards more water wise plantings.

Planned major works that have been approved by Treasury for 2008-09 include restoration and painting of deteriorating exterior timber work (windows and doors). Reports received have identified that extensive remedial work is required to many of the windows and doors, particularly those on the first floor. Other projects undertaken were the automation and surveillance of the Kintore Avenue vehicular gates and the renovation of the remaining first floor guest rooms.

Additional minor works funded through the Government House annual appropriation to be undertaken include: the conduct of an energy audit to guide decisions about energy savings strategies and potential equipment replacement; repairs to the kitchen and roof; finalisation of the garden bed design for the southern and eastern ends; and a feasibility study regarding the conversion of one of the smaller wine cellars for viewing by international and interstate guests, which will enable the Governor to showcase South Australian wines. We have a Governor who is doing a terrific job, assisted by an outstanding Lieutenant-Governor.

The CHAIR: Leader, do you wish to make a statement?

Mr HAMILTON-SMITH: I think that is almost the entire 15 minutes for consideration of this matter, Madam Chair. Is there time?

The CHAIR: We started late and there is a little more time in the next section.

Mr HAMILTON-SMITH: I have two questions. First, Premier, were you advised or consulted, or was your approval sought, in regard to a decision not to hold the Queen's birthday celebration, or recognition, that has been held in previous years by the Governor? I understand that it was not held in the same form as in previous years. Was the government in any way involved in that decision, which might be perceived by some as surprising? The Governor has always recognised Her Majesty's birthday.

The Hon. M.D. RANN: I am not aware of that. I will check that out. It certainly was not advice that I have given.

Mr HAMILTON-SMITH: The other question refers to Budget Paper 4, Volume 1, page 1.28 and relates to details of the Governor's Appropriation Fund. The Auditor-General has commented on this fund in the past. Will the Premier tell us what this fund does; who is responsible for it; how much is in the fund and what is it used for?

The Hon. M.D. RANN: I have just been advised that it is not to do with the budget for Government House; it is where the Treasury draws the budget from. It could be a question for the Treasurer.

Mr HAMILTON-SMITH: What is the Governor's present annual remuneration package, including the pension plan or retirement package?

The Hon. M.D. RANN: It is the salary, and the salary only—and I can check out the other things. As you would know, it has been set—and I think it has always been set, or certainly for some years—at 75 per cent of the salary of a Supreme Court judge. I am advised that the Governor's salary is \$229,553 per annum, which is 75 per cent of a Supreme Court justice's salary.

Mr HAMILTON-SMITH: And the retirement package?

The Hon. M.D. RANN: That would be established by statute, I would imagine, and it would be the same as it has always been, but certainly, if I can assist the leader, I will check that out and get a response.

The CHAIR: There being no further questions I declare the examination of the proposed payments completed.

PREMIER AND CABINET, \$147,419,000

ADMINISTERED ITEMS FOR THE DEPARTMENT OF THE PREMIER AND CABINET, \$18,780,000

Departmental Advisers:

Ms M. Evans, Manager, Parliamentary and Support Services, Department of the Premier and Cabinet.

Mr T. O'Loughlin, Deputy Chief Executive, Sustainability and Workforce Management, Department of the Premier and Cabinet.

Mr S. Ashby, Deputy Chief Executive, Departmental Affairs, Department of the Premier and Cabinet.

Ms T. Smith, Deputy Chief Executive, Cabinet Office, Department of the Premier and Cabinet.

The CHAIR: I declare the proposed payments open for examination and refer members to the Portfolio Statement, Volume 1, part 1.

The Hon. M.D. RANN: You will remember a whole lot of industrial relations, recreation and sport and other areas, while they have their own ministers, were brought under the Premier's department and people then thought, 'Why has there been a big increase in the number of people working in the Premier's department?' That was because we closed down other department areas and moved functions to actually streamline administration.

The CHAIR: Premier, do you wish to make an opening statement in this area?

The Hon. M.D. RANN: We are hearing Premier and Cabinet and Cabinet Office and sustainability in the same tranche as opposed to separately; do I understand that correctly?

The CHAIR: Yes, Premier.

The Hon. M.D. RANN: Obviously, Premier and Cabinet is the central servicing agency of the government and the cabinet and also, of course, is incredibly important in terms of our dealings with other states and with the federal government. In fact, with the series of initiatives under the COAG review process, there is absolutely no doubt that Premier and Cabinet and the Cabinet Office are involved in an extraordinary number of interstate collaborations on a range of issues.

To give you an example, today I have called upon the federal government to make a major investment in connecting South Australia's booming mining industry to renewable energy sources in our state. It is estimated that in another 10 years we will acquire an extra 1,000 megawatts annually to power our massive mining expansion. That is a massive amount of extra energy. So we are going to need an extra 1,000 megawatts. That requirement is additional to other calls on our energy supplies, such as the electrification and extension of the metropolitan rail service.

I would like to see as much of this as possible and particularly to power our mining industry to be carbon-free renewable energy. I am mentioning this in this area because of the work of the Department of the Premier and Cabinet. I want part of the federal government's \$20 billion Building Australia initiative to help fund the connection of renewable sources, such as geothermal in South Australia's Outback directly into new mining sites and the national electricity grid. As South Australia moves into a fully fledged mining construction and production boom over the coming years, its energy needs will be critical.

Just think about what we are talking about here. We have gone from four operating mines to nine or 10 and we have another 30 coming and of course, as part of that, the big expansion of Olympic Dam. Given the size of South Australia's mineral assets, any delays to these projects caused by inadequate power supply would not be just a local concern, it would have a medium to long-term impact on the performance of the national economy.

Fortunately these burgeoning energy requirements can be met through the vast sources of renewable energy available in our Outback and are already located close to many of our major mineral provinces. For instance, Petrotherm and its field is very close to Beverley. I think there is a huge opportunity for geothermal energy to power not only Beverley but also the new mine that is being proposed very close to Beverley, which is one of the biggest finds of uranium in the world. Obviously up near Moomba, near Innamincka, we have Geodynamics with its field with the potential for thousands of megawatts of energy. They are going to be powering Innamincka from next year, but with an opportunity to be linked in to supply other mining areas.

In federal-state relations, cabinet office developed, coordinated and negotiated state government policy priorities in national and inter-jurisdictional forums. They included:

- hosting a meeting of the Council of Australian Governments (COAG) in Adelaide (the second ever COAG meeting held outside of Canberra in history);
- hosting a meeting of the Council for the Australian Federation (CAF) in Adelaide and a meeting of CAF and a delegation from the Canadian Council of the Federation;
- advocating South Australia's interests in the development of COAG positions through working groups;
- coordinating collaboration between the South Australian government and the Canadian province Manitoba;
- providing developmental assistance to Timor-Leste through three capacity building programs (of which we are very proud). Dennis Mutton is assisting us in that area.

Cabinet office has also played a significant supporting role in assisting South Australia's efforts to broker a national agreement on the future of the Murray-Darling Basin.

In relation to implementing South Australia's Strategic Plan, cabinet office worked with the Department of Treasury and Finance to develop key performance indicators for each Strategic Plan target. The community engagement board (which is supported by the Department of the Premier and Cabinet) is overseeing 'regionalisation' of the plan.

I now turn to the area headed by Tim O'Loughlin, Sustainability and Climate Change. People sometimes say: why do we do that? Why is the Premier also the Minister for Economic Development, Minister for Sustainability and Climate Change, Minister for Social Inclusion and Minister for the Arts? Basically, we are demonstrating that you can be pro social justice, pro development and pro environment at the same time. The 2008-09 budget builds upon South Australia's reputation as a national and international leader in responding to the issue of climate change. Despite being home to just 8 per cent of Australia's population, we are a national pacesetter in the area of renewable energy. We currently have around 53 per cent of Australia's wind power and around 40 per cent of the nation's grid-connected solar power.

On 1 July, South Australia's landmark solar feed-in laws come into effect. Under that legislation, the first of its kind in Australia, households and small consumers of energy will be

rewarded at double the retail price for surplus power they return to the grid. In addition, we are home to more than 80 per cent of the Australia's total investment in geothermal exploration, research and development. Obviously people have heard of the government's \$8 million investment in Australia's largest rooftop solar panel array—1,000 kilowatts of solar panels on the redeveloped Goyder Pavilion at the Royal Adelaide Showgrounds. It represents the next step forward in our leadership program. The installation will be five times the size of the next largest installation in Australia (which is at Melbourne's Queen Victoria Market) and it will show that solar energy can be used as a primary energy source on a commercial scale.

The 2008-09 budget provides for climate change leadership in two other areas. First, it provides \$600,000 a year over four years to improve the energy efficiency of Adelaide's commercial buildings. Reducing emissions from the existing commercial building sector represents one of the most intractable policy areas for climate change. The state government will use these funds to work with the commercial building sector, led by the Property Council of South Australia, to pioneer new, effective interventions in this area. The relationship with the property sector will be subject to a voluntary sector agreement under the government's Greenhouse Gas Reduction and Climate Change Act.

The commitment to a carbon neutral government is the second area of international leadership provided for in this budget. In 2010-11, \$3.8 million is being made available to take the first step towards carbon neutrality by reducing emissions from core government departments by 30 per cent. This is really important in terms of leadership. This will be lifted to 50 per cent by 2014—no other government that I have heard of anywhere in the world is doing that. We are putting our money where our mouth is: we are leading by example as a government. We are asking other people to commit to purchasing more solar and wind power.

We have challenged our councils in this state and they have responded to the challenge brilliantly, but we are now going further: 50 per cent of the state government's power will come from renewables by 2014, before reaching 100 per cent by 2020, when we intend to be the first carbon neutral government in the world, although I have seen that, since our announcement, the New South Wales government has pledged to follow us. Victoria and Queensland have committed to solar feed-in laws following our initiative.

In addition, do you remember when I announced in the State Strategic Plan that 20 per cent of our power as a state—not just for the government but for the whole state—would come from renewable energy by 2014, and I was faced with sneering derision? I am very pleased to confirm today that we believe that we will reach our target by 2010—hopefully, even before that—four years ahead of schedule.

Finally, the budget includes two smaller but important initiatives. First, the investment at the Adelaide showgrounds will be complemented by an investment in a \$7 million solar farm at Coober Pedy. That will provide about 30 per cent of Coober Pedy's power needs. Secondly, \$500,000 is provided to extend the successful behaviour change program initiated by the government last year, encouraging people to purchase green energy. The great thing is that people are purchasing green energy, like solar panels, at a much greater rate of knots than the other states. That is why we have been doing so well.

One of the key objectives of the social inclusion initiative is to bring together resources from across government and the community to create 'joined up' solutions. Among the first references the government gave to the Social Inclusion Board was to halve the number of 'rough sleepers' in our community. According to the ABS census figures for the period 2001 to 2006, we are the only Australian state where the rate of people sleeping rough went down compared to a 19 per cent increase nationally. Everyone on both sides of politics would rejoice in that. The 'Street to Home' program that was established in 2004 has assisted 195 homeless people into long-term accommodation, that includes 42 per cent of the city's most chronic rough sleepers. As at April 2008 a total of 17,467 people have been assisted in some way by the Social Inclusion Initiative's homelessness reference, and social inclusion programs have helped prevent 3,271 people at risk of homelessness from ending up on the street.

Another important initiative to address homelessness arose out of the Adelaide Thinkers in Residence program. Rosanne Haggerty (an expert from New York city in tackling homelessness) helped us to establish Common Ground Adelaide. With the strong support of local businesses we recently opened our first building with 37 units above the new city bus station. A second inner city building with 60 units is due to be opened next year. Recently, I announced joint commonwealth-state funding for a \$5.6 million Common Ground project in Port Augusta, and I have also announced a similar, but not Common Ground, initiative for Port Adelaide.

The Social Inclusion Initiative was also charged with the task of lifting South Australia's school retention rates. This state has gone from leading the nation in school retention rates in the 1990s to being one of the lowest achieving jurisdictions by 2001. Shameful! In six years we have legislated twice to increase the school leaving age. Also, we have launched the school retention action plan to which the government has committed \$28.4 million over four years. That plan has already supported more than 15,000 young South Australians and helped them to engage, re-engage or continue with learning to complete year 12 or its vocational equivalent.

A further \$2.5 million was provided to the Department of Education and Children's Services in the 2006 budget to enable continuation of the SRAP programs to the end of the 2007 school year so that student learning would continue uninterrupted. An additional \$10.5 million over four years from 2008-09 has been provided to continue programs that demonstrate a greater cost effectiveness and/or capacity to work with young people who are most seriously at risk. In one of those programs—the Innovative Community Action Network (ICAN)—82 per cent of participants became re-engaged in learning or employment pathways. These are mostly young people who have a history of poor school attendance or who are disengaged totally from learning and otherwise would have dropped out.

In November last year the Social Inclusion Board presented the government with its plan to radically overhaul the state's mental health services. We agreed to all 41 of the report's recommendations and have committed \$93.5 million over four years to the biggest ever reform of mental health in South Australia, which will include a new 129-bed hospital, as well as intermediate and supported community accommodation.

Also, last year Monsignor Cappo provided advice on youth offending with a specific focus on a group identified through SAPOL's Operation Mandrake. His report outlined a framework to address serious repeat offending by young people. No-one pretends that is easy. Amendments have been made to the Young Offenders Act to ensure that the judiciary takes greater account of community safety when sentencing. In the budget the government announced the allocation of \$11.5 million over the next four years to provide assertive interventions with young offenders.

The Thinkers in Residence program is now in its sixth year. It was widely attacked six years ago, even though it was announced before the election. The Thinkers in Residence program brings leading thinkers to South Australia. These thinkers in action—who provide huge amounts of advice—include people such as Dennis Jaffe (Family Business), Ilona Kickbusch (Healthy Societies) and Andrew Fearn (Wood and Wine Value Chains). His contribution has been absolutely valued by the farming community and the wine community. Geoff Mulgan's residency culminated in an international conference in Adelaide last week on social innovation. We have just announced \$6 million—

The CHAIR: Premier, I ask you to wrap up quickly.

The Hon. M.D. RANN: I will; I have just about finished. I have announced the government has committed \$6 million over three years to establish a new Centre for Social Innovation in this state.

Mr HAMILTON-SMITH: Having listened to the Premier's 20-minute opening remarks, I have a slightly different view of this budget line and the role of the Premier and his office. This budget confirms that in two of three normally used accounting measures the government is in deficit. It not only does that but also shows that revenue was around \$8 billion and is now heading towards \$15 billion. That is a lot of money to get results—not just promises, but results. The Premier mentioned two words which struck me—one was 'leadership' and the other was 'shameful'. I will come back to that in a moment.

The budget also confirms that debt will rise to \$5.2 billion after seven of the best years this state has ever seen. It also confirms that \$3.7 billion of windfall revenue—revenue that could have been used for economic development, social inclusion, sustainability and a range of other things—has been spent and not provisioned for the future. Tax is at record levels. In some cases property tax is up by 150 per cent. According to the Commonwealth Grants Commission, South Australia is the highest taxing state in the nation. Some \$2 billion was taken out of SA Water for general revenue but was not spent on water infrastructure. The unfunded liability for superannuation is up to \$1 billion and for WorkCover the unfunded liability is at \$1 billion.

Perhaps the most damning—and this gets straight to the question of leadership—is that the Premier has not got a clue how many people he has on the payroll. It is 17,000 according to the Commissioner for Public Employment, over 12,000 according to the budget papers and 9,287 according to the Treasurer. Well, the Premier now wanders off. He is not interested in listening.

The Hon. M.D. Rann: I heard it all in your budget speech.

Mr HAMILTON-SMITH: Perhaps you could come back, Premier, and show the parliament the respect of sitting there and listening. I listened to you.

The CHAIR: Order! Leader, just continue.

Mr HAMILTON-SMITH: Apart from the economic diatribe, the Premier talked about climate change and sustainability; I will get to that specifically with questions. I give the government some credit for capitalising on the commonwealth government's MRET scheme to get wind energy up and running. The question the Premier does not want to answer is: how much in the way of millions of tonnes of carbon dioxide is put into the atmosphere from the Upper Spencer Gulf power stations? The question he does not want to answer is: where will this energy from mining—these megawatts he mentioned—come from and how will they be sustained? But the real question (if we are getting to leadership from a person I consider to be the Premier for flim-flam) gets to the issue of social inclusion. I am tired (and so is the parliament) of hearing about how much the Premier claims he is spending. I want to know about the results he is getting from that spending. There are 21 children in care and families in ruin, and Mr Rann has been telling us now for seven years that he is all about early intervention.

Well, I have some news for him. If he is serious about social inclusion and if he is serious about early intervention, the Premier would have made sure that the billions of dollars this budget confirms he has received was spent on making sure there were enough social workers to visit the schools, to visit the childcare centres, to visit the kindergartens and to talk to the professionals. He would have made sure that those children were at school where they could be dealt with and where they could be referred to social workers. He would have made sure that the substantial amount of federal money the government has received was linked to interest from families and communities. He would have made sure that he communicated with the government of Victoria (knowing that a family with a record was coming to this state) and that the issue was picked up by the safety network.

The Hon. M.D. RANN: I should know about that in advance?

Mr HAMILTON-SMITH: I listened to you, Premier, now you listen to me. You do not like it. You love dishing it out but you will not take it. There are 21 children who had delivered upon them the results you said you would get at the last election. 'Mike Rann gets results.' Well, you got results this week—those 21 children. They are the results you have got for social inclusion. The Premier talks about leadership. This has been seven wasted years. He talks about things being shameful. Yes, a degree of shame is associated with some of the news of this week. He talks about thinkers in action.

This is what it is about, Madam Chair: it is about reports into social inclusion; it is about report after report; and it is about spin, spin, spin from the Premier for flim-flam. It is not about getting results. Thinkers in action! What we need are some doers in action. That is what we need. We need some results. Last night 700 people attended a meeting about the Premier's cuts to country health on Yorke Peninsula. Hundreds, in fact, thousands more have met across the country and here in the state complaining about his cuts to country health. He has doctors handing in their resignations; he has thousands of teachers on the steps of Parliament House.

I ask the Premier, as the head of the Department of the Premier and Cabinet, what role he played in mediating and leading the government through those industrial issues? No, let us put the ministers out there; let us not have the Premier for good news tainted in any way by any negativity. The Premier mentioned leadership. I can tell this committee that a lot of South Australians would like to see some. I have a couple of questions on social inclusion.

The Hon. M.D. Rann interjecting:

Mr HAMILTON-SMITH: No, you had your go. We are not here to debate. I will ask some questions and then you answer them.

The Hon. M.D. RANN: Excuse me, Madam Chair. The leader said, 'I ask the Premier'. Was that a rhetorical device? Are you sincere or are you the phoney that everyone can see you are?

Mr HAMILTON-SMITH: Well, I am not the Premier, you are, actually. So, you might just untie your tongue in case you have forgotten, and that is the very point I am making. You are the Premier, act like one. In regard to social inclusion, I refer to Budget Paper 3, page 2.9—

The CHAIR: Is the leader now moving to questions?

Mr HAMILTON-SMITH: Yes. Will the Premier advise what the expenditure of \$5.5 million over the forward estimates was for the Community Protection Panel? Will it deliver for children at risk, or is this just salaries and wages for yet another committee? What is the breakdown of the funding and how much is each panel member being paid? You see, this is the point. It is all about committees and millions of dollars on PR exercises from the Premier for flim-flam (Media Mike), it is not about saving those 21 children.

The CHAIR: Leader, please repeat that reference; and please ask a question, not make a speech.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, page 2.9.

The CHAIR: That line is not open, I do not think.

The Hon. M.D. RANN: I want to respond to that question. We have record numbers of social workers and record numbers of child protection officers. Can I just say that there is \$190 million in this budget following what we have done before and following the massive neglect under your government of which you were a cabinet minister—totally fraudulent in terms of your concern. Can I just say this—

Mr HAMILTON-SMITH: We are here today. It is 2008. What are you doing?

The Hon. M.D. RANN: You asked me a question, and I am answering it.

Mr HAMILTON-SMITH: No, you are not; you are talking about the past.

The Hon. M.D. RANN: Last week we saw your deputy swearing in front of schoolchildren and today you are showing that you are 'Anger Man'. You know something? You might bully your colleagues but you frighten no-one on our side.

Mr HAMILTON-SMITH: I tell you what, there is a little bit of anger out there in the community right now.

The Hon. M.D. RANN: The Leader of the Opposition seems to be suggesting that we should somehow know before people cross the border. Does he want Checkpoint Charlies on the borders? What happened is—

The CHAIR: Premier, just a moment. Leader, if you frequently continue to interrupt, I will simply leave the chair for five minutes and you will lose the time. Please remember: there is no debate. This is about questions in a respectful process.

The Hon. M.D. RANN: That is right. The leader has asked a series of questions. My view is that, if people are so dysfunctional in their family that they cannot look after their kids, then those kids should be taken away from them. I believe that there do need to be improvements in terms of states sharing information, but you cannot seal the borders and you cannot know in advance who is going to cross the borders. If the Leader of the Opposition is suggesting that we should have some kind of Berlin Wall across the state lines, how would he actually achieve that?

He said we should have known in advance, that South Australia should have advised Victoria that these people were moving over. How do you do that? My view is—I am going to say this and it is controversial today—what has happened is a disgrace. This is a dysfunctional family. The children must be put first and, if I am advised that it is in the interests of those children to be taken away from a mother who does not know how to be a mother, then so be it. There will be absolutely no hesitation on this government's part to take away the children from someone who is unfit to be a parent. If that offends people, that is tough luck because, ultimately, the care of the children comes down to me.

But do not, Leader of the Opposition, pretend that you have any real concern, because this government is the government that actually commissioned Justice Robyn Layton to prepare a new way of doing things in child protection. It is this government that has actually recruited record numbers of child protection officers and record numbers of social workers. But the social workers cannot be in every household and they cannot know who is driving from another state towards this border. If you think you can do it, well and good. But, on the specific question, you asked about the To Break the Cycle Report, and you asked about the Community Protection Panel.

In June 2007 the Commissioner for Social Inclusion handed the To Break the Cycle Report to the government following a request to provide advice on ways to address offending by young people identified through Operation Mandrake. In response to the report in August 2007, the government endorsed all 46 recommendations, committing to the immediate implementation of the 16 most urgent action recommendations. The current status is as follows. To oversee

implementation of the report's 46 recommendations, the government has established a Youth Justice Committee.

Since its establishment in September, the Youth Justice Committee has approved two action plans—the first detailing activities relating to the 16 action recommendations, and the second outlining activities for the remaining 30 recommendations. Implementation of the recommendations is well under way, with over half already having been met and the others actively being progressed. South Australia now has legislation that will result in serious young offenders and adults who commit crime in the presence of minors facing harsher penalties. They are results, not the leader's talk. The government has improved the response to Operation Mandrake young offenders. All these young offenders have had a comprehensive assessment that identifies areas of risk and need so that targeted rehabilitation can take place.

The budget allocation of \$11.5 million is addressing several key recommendations of the To Break the Cycle Report. The five key initiatives focus on intense attention to chronic repeat offenders, cross-discipline management of other young offenders and preventing children from becoming involved in crime. \$5.6 million towards the Community Protection Panel will focus on the most serious young offenders and make sure they are closely supervised and comply with court orders. \$4 million will go towards the justice teams to provide intensive management of young offenders not covered by the Community Protection Panel.

The justice teams will help less serious offenders steer away from further offending. \$1 million will go to the Tirkandi school retention program working with at-risk Aboriginal students. \$829,000 will go towards a tailored program to address local youth offending programs modelled on the Professor David Kennedy approach—and I know the leader would know of Professor David Kennedy and the John Jay College of Criminal Justice in New York. His work has resulted in remarkable drops in crime rates in many towns and cities in the United States, Europe and the United Kingdom.

If the leader is suggesting that we do not take the advice of experts because he knows best, then that terrifies me. We saw what he did in government. \$143,000 will go towards the Kurruru Indigenous Youth Performing Arts to work with young Aboriginal boys and men to provide a diversion program. So, on a whole range of fronts, the budget allocation of \$11.5 million is addressing key recommendations of the To Break the Cycle Report.

Mr HAMILTON-SMITH: I refer to Budget Paper 4, Volume 1, page 1.18 dealing with social inclusion, and I want to make a couple of points. There is a way to check when people move from one state to another. The Premier may not be aware of this, but these families are in receipt of commonwealth benefits. If the state government talks to the federal government about families at risk, they can find out. Secondly, there is this thing called the Housing Trust. Thirdly, it is a good idea to return the calls of neighbours when they ring raising the alarm, and to have enough workers to act when they do call. Another thing the state can do is make sure the kids go to school.

That may come as a complete surprise to the Premier, but I will go to this point. We have all the PR on social inclusion. We have had all the boards and all the media. It is all about the sense that things are being done. Those 21 kids are the results after seven years. Can the Premier advise the house—

The Hon. M.D. RANN: Keep working hard on getting the advice right.

Mr HAMILTON-SMITH: Well, you work harder is my advice.

The Hon. M.D. RANN: You have done a repeat of your budget speech and you think the media is silly enough to repeat it.

Mr HAMILTON-SMITH: You have had seven years, and we are still finding kids in squalor—in your electorate, and you do not even know they are there. So you work harder: do not tell me to. Can you advise whether there has been a cut in the budget of the sub-program social inclusion, given that the budget has gone up by only \$210,000? In the budget statement at page 2.9, there is a \$1.321 million amount for a Community Protection Panel—yet another panel—under the Department of the Premier and Cabinet's expenditure line. The Community Protection Panel, as I mentioned a moment ago, equates to \$5.5 million over the forward estimates, but the social inclusion sub-program is just over \$5 million for this financial year. I am asking: what programs that actually help people out on the ground (like this 21 children), have been cut for yet another panel? It is all about bureaucracy in this government. It is not about programs on the ground.

The Hon. M.D. RANN: Because you do not listen, you have just asked me about the programs. I just pointed out, not on my figures, that the ABS census has found that only one state

has reduced homelessness and that is South Australia. It has gone up significantly in other states, an average of 19 per cent. It has gone down in South Australia. Action, not words, as a result of what we are doing.

You have asked me about the programs. I will go through them once again so that you can actually make sure that you understand. In terms of the number of people being assisted, not bureaucracy—we saw basically a lack of action—you have called for more social workers, more child protection officers, an extra \$190 million in the budget following a series of other budget announcements of tens of millions of dollars employing record numbers of social workers and child protection workers.

We have seen that the Street to Home program has assisted 195 homeless people into long-term accommodation. Action, not words. Real action, not fake anger. That includes 42 per cent of the city's most chronic rough sleepers. As of April 2008, a total of 17,467 people have been assisted by the Social Inclusion Initiative's homelessness reference.

You might want to diminish Monsignor Cappelletti, you might want to diminish these people who are doing the hard yards late at night getting people into shelter, but can I just say, we have heard your budget speech. You can try to reprise it here and hope that someone in the media will be silly enough to give you a rerun, but the fact of the matter is that 17,000 real people have been assisted. Social inclusion programs have helped prevent 3,271 people at risk of homelessness from ending up on the streets. Action, not words. Real people, not political games.

Mr HAMILTON-SMITH: Let me just move on to the doctors' and teachers' strikes and these matters are dealt with in Budget Paper 3. What role, if any, have you played as leader of the government in trying to get the doctors' and teachers' wage disputes resolved? Why have you left it to other ministers to take the rap and just be nowhere to be seen? Can you not, as leader, step in and resolve both these disputes and get our doctors back to work and our teachers back in their classrooms?

The Hon. M.D. RANN: The leader would know that I am involved intimately in both these disputes.

Mr HAMILTON-SMITH: How?

The Hon. M.D. RANN: On a daily basis in terms of working out the strategies for dealing with this. Can I just say this: both of these disputes will be resolved, and do you know why they will be resolved? Because they always are. Because under this government, as you would know, we have the best record of industrial peace in the country.

But I heard what the leader said last week: his response is the white flag response. He said he would not build his stadium—although then we have heard there is going to be an entertainment centre now over the railway line; before that it was a stadium—he would use that money that he saved to pay the doctors' salaries, but what does he do the following year and then the following year?

What the leader is saying is that, if he were elected premier, as soon as there is an ambit claim from any group in the community, he will put his hands up and surrender. He will raise the white flag on South Australia's future. So someone comes to him—a staff member—and says, 'I want double my salary,' or the public servants come out and say they want a hundred per cent pay rise, his version of leadership is to surrender, to give in, to raise the white flag.

Well, this premier is different. This premier is not going to surrender. We saw what he said on WorkCover, always trying to walk different sides of the street at the same time. He was not going to take action: only one government in the past 25 years has had the guts to act and that is this government.

In terms of the negotiations with the teachers and the doctors, there is a provision. The reason we have the best industrial relations record in Australia is because when the negotiating teams—and I have actually had some experience in industrial relations, unlike the Leader of the Opposition—sit down and negotiate, if one group that is going for an ambit claim says that they are not prepared to accept the negotiations, there is the Industrial Relations Commission, the independent umpire.

I am prepared to accept the recommendations, the determination and the decision of the Industrial Relations Commission (the independent umpire) even if I do not like the outcome, because ultimately it is about finding a compromise. Finding a compromise is not the Leader of the Opposition's approach, which is to surrender at the first ambit claim. Faced with people coming at

him, he surrenders. Let me just tell you this: being premier means that you have to stand up to people making ambit claims and negotiate, not do what you said last week that you would do, which is to give them what they want.

The doctors are being offered an extraordinarily generous package. We are seeing senior doctors and consultants being offered massive pay rises as part of the government's offer. If the leader is saying to the people of this state that he is so reckless, so irresponsible, that he is prepared to give in to any ambit claim, give in to any threat, give in to any blackmail, then he is unfit to be the premier of this state.

Mr HAMILTON-SMITH: People just want the health care system that you promised, Premier.

The CHAIR: Member for Norwood, do you have a question?

Mr HAMILTON-SMITH: Point of order: the Premier seems quite capable of answering questions. I just ask the Premier, with your agreement, Madam Chair, if he would be happy for the opposition to continue asking questions since time is short.

The Hon. M.D. RANN: No, we are going to go through the usual way.

Mr HAMILTON-SMITH: Why run away from the questions?

The Hon. M.D. RANN: I'm not running away from the questions.

Mr HAMILTON-SMITH: You want to be open and accountable—why not accept my questions, why go to Dorothy Dixers?

The CHAIR: Order!

The Hon. M.D. RANN: It would be exactly the same as when you were in government, Martin. You were too frightened to face an estimates committee.

Mr HAMILTON-SMITH: If you want to be open and accountable, take my questions.

The CHAIR: Order!

Mr HAMILTON-SMITH: If you want to run away, let them ask Dorothy Dixers.

The CHAIR: Leader—

The Hon. M.D. RANN: People are excited by your anger. Keep going. We want to see more of it.

The CHAIR: Order, Premier! Leader, it is time you showed some respect for the process.

The Hon. M.D. RANN: Other people have rights, too. Even your own team wonder why it is always—

The CHAIR: Order, Premier!

The Hon. M.D. RANN: —about Martin. It's all about Martin.

The CHAIR: Order, Premier! That is sufficient. It is all right, thank you.

The Hon. M.D. RANN: The thing about estimates committees is that we all know that one side gets its story up and the other side gets its story up. It is a kind of pro forma.

Ms CICCARELLO: I refer to the Portfolio Statement, Budget Paper 4, Volume 1, page 1.14.

Mr Hamilton-Smith interjecting:

The CHAIR: Order!

Ms CICCARELLO: This question is in respect of the establishment of an independent authority in the Murray-Darling Basin. What action has the state government undertaken to assist in reforming the Murray-Darling Basin and what steps will be taken in the coming year?

The Hon. M.D. RANN: At the 26 March 2008 COAG meeting a memorandum of understanding was signed between the commonwealth and the states to implement the reform agenda for the Murray-Darling Basin that was stalled under the previous Liberal government.

I remember when I addressed the National Press Club (I think it was in about 2003) on the crisis approaching the River Murray. It took years for the former federal government to take it

seriously. Tim Flannery and I made a joint address to the National Press Club in, I think from memory, February 2003. We talked about the imminent crisis. It took four years for there to be a special meeting, and only because an election was coming did John Howard call a meeting of the relevant premiers and then announced the crisis that we had predicted.

Then I was condemned for advocating for an independent commission to run the River Murray rather than a different group of politicians. I was condemned by this opposition. Fortunately, reason prevailed: Queensland backed us and then New South Wales, and then John Howard finally agreed that there was wisdom in the approach of having an independent commission of experts.

The central plank of the reform agenda is the establishment of an independent Murray-Darling Basin authority to develop, implement and monitor sustainable caps on the surface and ground water diversions across the basin—an independent authority that South Australia was instrumental in achieving. This is a fundamental change to the operation of the basin. Decisions will be made on the basis of science, not political considerations.

The memorandum of understanding agreed between the commonwealth and the Murray-Darling Basin jurisdictions represents a historic advance in the management of the River Murray. The MOU commits the Murray-Darling Basin jurisdictions to sign an intergovernmental agreement at the July COAG to implement the MOU. In the meantime, governments have been consulting with stakeholders about the implementation of the MOU. The MOU delivers, I believe, on a sound vision for the future management of the River Murray:

- an independent authority whose advice can be overruled only where the federal minister reports to parliament the reasons for such action;
- a basin plan to be prepared by the authority which deals with capping sustainable levels of water extraction;
- the provision of critical human needs, including South Australia's, and in particular the needs of metropolitan Adelaide and regional centres dependent on the river Murray, and improved environmental outcomes for our iconic assets—the Lower Lakes, the Coorong, the Murray Mouth;
- better environmental management of our wetlands, flood plains and river red gums.

An intergovernmental agreement is being prepared to detail the changes required to bring this into effect and to deliver on the commitments entered into by the jurisdictions. This IGA will be considered by COAG at its 3 July 2008 meeting. The work on the IGA is being led by DPC from a whole-of-government perspective in conjunction with line agencies.

A key requirement of this work is to ensure that the requirement for water for critical human needs is met across the Murray-Darling Basin. The March MOU recognises that water for critical human needs is a priority and that South Australia will be provided with access to head water storage to provide increased security of water supply. The people of South Australia understand that in dry periods up to 90 per cent of Adelaide's water comes from the Murray whilst many communities along the river and elsewhere in the state rely on the Murray for all of their water. It is vital that we protect these communities and provide them with access to potable water. The negotiations of this IGA will help protect the future water supply—

Mr HAMILTON-SMITH: A point of order, Madam Chair: the Premier is reading a ministerial statement so as to run out the time of budget estimates and not answer questions from the opposition. He is reading a ministerial statement, and I ask you whether that is in order.

The CHAIR: There is no point of order.

The Hon. M.D. RANN: I note that the Leader of the Opposition has been reading as well. I am not sure what is happening in the opposition. Perhaps the Leader of the Opposition—

The CHAIR: Order!

The Hon. M.D. RANN: —should do an anger management course. His rudeness towards other members of parliament is palpable. I just think that it is really important for the community to see that courtesies and procedures are upheld in this parliament. Do not try to bring this parliament down to your own level.

The people of South Australia understand that in dry periods up to 90 per cent of Adelaide's water comes from the Murray whilst many communities along the river and elsewhere in

the state rely on the Murray for all of their water. So, it is vital that we protect these communities and provide them with access to potable water. The negotiations of this IGA will help protect the future water supply to regional communities and provide Adelaide with more certainty. Security will be enhanced when the Adelaide desalination plant is up and running by the summer of 2011-12.

On 29 April, the Minister for Climate Change and Water (Hon. Penny Wong) announced the commonwealth government's 10 year \$12.9 billion Water for the Future Plan. The majority of this funding will be made available to accelerate the return of water to the environment and secure regional economies.

The commonwealth's decision to commit \$3.1 billion of the \$12.9 billion to purchase water entitlements from willing sellers to return water to the River Murray and other basin rivers should be supported. Ultimately, it comes down to two things: the fact that it has not rained—and no-one can do anything about that—and also the fact that there has been massive over-allocation of irrigation licences over too many years. Too much water has been poured out of the River Murray and used wastefully, particularly upstream. That is why it was critically important that a third of that money allocation be used to buy back licences.

Significant amounts of this money will need to be spent in New South Wales and Victoria to return billions of litres back to the river, which will benefit both the environment and the community in this state. In addition, the South Australian government will negotiate with the commonwealth government for a share of the funding under the \$5.8 billion sustainable rural water use and infrastructure program for water infrastructure projects that deliver real benefits for the river in terms of environmental and sustainable industry needs.

Ms CICCARELLO: Premier, I refer to Budget Paper 4, Volume 1, page 1.21. What are the impacts of the Adelaide Thinkers in Residence Program?

The Hon. M.D. RANN: Apparently, this is a program that the opposition does not support. I will tell you about just some of the things that are happening as a result of thinkers in residence. For instance, the Royal Institution of Science—the leader is shaking his head, hoping to get a picture. Apparently, he does not agree with the Royal Institution of Science.

Mr HAMILTON-SMITH: I am interested in hearing about your thinkers in residence. People want to hear about health, those children, and various other issues.

The CHAIR: There are appropriate budget lines.

The Hon. M.D. RANN: I hope that the media notices that that is the 10th attempt to get the grab up. He has had it written down for him. He has to be told to be angry, because it is all part of the show. The science education leader is very important for our state. Too few students in South Australia and around the nation—and internationally—are choosing science for their future. At Flinders University, we have, obviously, the science and maths school, but we also have the Royal Institution of Science, which sets up a science exchange to service the nation here. Eleven projects came out of that one residency—and I should advise the leader—with massive support out there. When there is a royal opening the next year, I will bet the leader will not be angry and shaking his head: I will bet he will be really upset if he does not get an invitation, because we will always remember the Robert Kennedy night.

From Baroness Greenfield's residency, a series of announcements are coming out of major projects, hard projects, and from Rosanne Haggerty's residency, we have Common Ground, a series of units and business partnerships. Already we have seen Franklin Street, we are seeing those in Light Square and we now have approval for Port Augusta. With Herbert Girardet's advice to us on reducing our carbon footprints and in terms of what we are doing in policy work with Schneider and Girardet in areas of tackling climate change, we are seeing 53 percent of our nation's wind power and 40 percent of the nation's solar power, and all of that is important.

The leader asks what we are doing on health. Even in his own reply the other day, we heard him say something astonishing: he made a mistake. He read out the national figures that showed more doctors per head here in South Australia than elsewhere, and more nurses. He wants action, not words. Action is 699 more doctors working in our hospitals than when he was the minister; 2,400 more nurses in our hospitals and a billion dollars-plus more expenditure each year on health and hospitals than when he was in cabinet, massively more than inflation.

We are seeing the rebuilding of our health system. Go out to the Lyell McEwin Hospital and see the hundreds of millions of dollars being spent there, which will effectively double the number of patients in that hospital. Go down to Flinders and see the work that is being done there, or down to the Queen Elizabeth Hospital to see the massive expenditure on rebuilding a hospital on-site—a

hospital that the Leader of the Opposition wanted to privatise. We are very happy to compare our record in health with the leader's. His only policy initiative on health has been that he would cave in to the doctors who want massive pay increases, even more than the generous ones they are getting. That is not leadership: that is called cowardice.

In terms of thinkers in residence, we have had people like the late Peter Cullen advise us on the River Murray. We have had, of course, other advisers who have helped us. We have people, for instance, now helping the wine industry, and we have had terrific feedback from the wine industry and from the agricultural industry in terms of Andrew Fern. We have had Dr Fraser Mustard advise us on early childhood development. That is about education, which should be important to the Liberal Party and the opposition. Dr Fraser Mustard's residency focused on early childhood development, and the federal government announcements in the areas of improved services and funding for families and young children are congruent with his recommendations during his time with us in South Australia and his report.

Dr Mustard's work continues to inform the development of 20 children's centres that are being established across South Australia. These centres will be open over the next few years using a process that is highly consultative with and responsive to local communities. The first centres are already operational—action not words. The South Australian government is investing more than \$23 million to establish the children's centres, which will provide a one-stop shop for young children and their families by bringing together a mix of services for children from birth to eight years and their families. The initiative is being developed collaboratively through the Department for Families and Communities, the Department of Education and Children's Services and the Department of Health. Providers of pre-service training for childcare and early childhood teaching are developing programs to incorporate understanding of brain development into training programs.

I also mention Ilona Kickbusch and healthy societies. Professor Ilona Kickbusch's residency addressed issues related to preventative health, health promotion and the social determinants of health. Her work included, among other things, working with government agencies such as the Motor Accident Commission and the Trauma and Accident Commission on key issues such as obesity, road safety and the return to work of injured workers. Her interim report catalysed work across government, the universities and non-government sector in a range of areas. A health literacy alliance was formed with more than 40 participants including representatives from the universities, the Department of Health, the Department of Education and Children's Services and so on.

Another thinker in residence was Dennis Jaffe on family business. Dr Dennis Jaffe's residency developed greater community understanding of the economic and social value of family businesses and support required for sustainability in those businesses. The leader does not think that is important, but our state has an estimated 52,000 family businesses that are responsible for employing almost 55 per cent of our private sector workforce. Why is the private sector workforce important to us? Let me tell you what a difference a government makes: 87,000 more people in work in this state than there were under the Liberals and, in five years' time it will be a lot better than that. You do not think these things are important—jobs, health, education, science—we do and that is the difference.

Ms CICCARELLO: Premier, I refer to Budget Paper 4, Volume 1, page 1.19. What is the government doing to raise the profile of solar power generation in South Australia?

Mr HAMILTON-SMITH: Kevin Rudd was helpful, wasn't he, with his cuts to the solar rebate?

The Hon. M.D. RANN: I think the fact that we have got 40 per cent of the nation's grid connected solar power, 53 per cent—

Mr PEDERICK: There won't be any more.

The Hon. M.D. RANN: You don't think there will be any more?

Mr PEDERICK: I don't think there will be much more.

The Hon. M.D. RANN: You don't think there will be?

Mr PEDERICK: No, I don't.

The Hon. M.D. RANN: Okay, there's a bet. We will have a friendly bet across the chamber. South Australia has nearly 40 per cent of the nation's grid connected solar power. We have just announced a commitment of \$8 million to the largest rooftop photovoltaic installation in Australia that I mentioned before, but that investment will allow around 10,000 square metres of

solar panels to be installed, generating 1,400 megawatt hours of solar electricity. It is the equivalent to powering over 200 South Australian homes per year and reducing greenhouse emissions by almost 1,400 tonnes.

The solar panels will be installed on the roof of the soon to be opened Goyder Pavilion, which will be the centrepiece of the Adelaide Showgrounds upgrade, and the Royal Agricultural and Horticulture Society is delighted. It has accepted the grant and, of course, the showgrounds receive more than a million visitors a year for a range of events. That means that the benefits can be shared by all South Australians, but also it is a great promotional device for people to take on solar energy. It follows the installation of solar panels at Adelaide Airport, the State Library, the South Australian Museum, the Art Gallery and Parliament House. The state government is also in the process of installing solar panels on 250 schools across the state. The good news is that on 1 July we will be the first state to have in place legislation that will provide for double the amount of money being paid for people whose solar panels put electricity back in the grid.

The leader mentioned issues relating to child protection and I want to repeat again: any family that is so dysfunctional that their kids cannot be provided for and are neglected and abused deserve to have those children taken away and we will do so without hesitation because they are unfit to be parents. For those who are unfit to be parents, if we get the expert advice that those children should be taken away, then they will be taken away without any hesitation.

Mr HAMILTON-SMITH: I hope you will help them before it comes to that, Premier. I hope you will help those families before it comes to that, because when it comes to that, it has become pretty desperate.

The CHAIR: Order!

The Hon. M.D. RANN: No, that is the difference because the Leader of the Opposition believes we should help abusers. We are not going to help those who sexually abuse their children.

Mr HAMILTON-SMITH: No, help dysfunctional families. Help distressed, dysfunctional families.

The Hon. M.D. RANN: And we are not going to help families that abuse their children.

Mr HAMILTON-SMITH: You are going to rack them, stack them and pack them, are you? Is that it, rack them, stack them and pack them?

The CHAIR: Member for Goyder.

Mr HAMILTON-SMITH: I will take that one, Madam Chair. I turn to the question of the Public Service and the number of employees on the public payroll. I am referring to table 2.16, on page 2.35 of Budget Paper 3. We have had this problem where the government does not seem to know how many people it has on the payroll. The equivalent tables in the 2002-03 budget compared to this 2008-09 budget indicate that the actual public sector FTE numbers have exceeded budget—

The CHAIR: Order! There is a time set aside for public sector workforce matters.

Mr HAMILTON-SMITH: I am aware of that, Madam Chair, but I have got the Premier—

The CHAIR: The issue is that there was agreement that this was the timetable so that advisers could be present.

Mr HAMILTON-SMITH: I have got the chief of the Premier's department—

The CHAIR: Order!

Mr HAMILTON-SMITH: —and the chief of the Public Service here.

The CHAIR: Order!

Mr HAMILTON-SMITH: I want to know whether the Premier knows how many people are in the Public Service under the Department of the Premier and Cabinet.

The CHAIR: Leader!

Mr HAMILTON-SMITH: Can I or can I not go on with the question?

The CHAIR: Is there or is there not agreement about the timetable?

Mr HAMILTON-SMITH: It cuts across both matters. There are other questions in the public sector workforce management which we will deal with from 12 to 1.

The Hon. M.D. RANN: We have all read your thesis. We reached agreement with you when people—

Mr HAMILTON-SMITH: I have not asked the question yet, Madam Chair.

The Hon. M.D. RANN: You have asked the question.

Mr HAMILTON-SMITH: What I want to know is: the government has budgeted for a total of 2,757 public servants in 2002-03. According to the budget papers, it looks as though the actual increase has been 14,842. However, it does not seem to agree with the figures provided by the Office of the Commissioner for Public Employment, because he pointed to a figure of over 17,000. I just want to know who is right: is it the budget papers or the Commissioner for Public Employment? How many FTEs are there on the payroll, that is, how many actual bodies? How many people are on the payroll when you count part-timers?

The CHAIR: Leader, can you give the source of the second figure you quoted from the Commissioner for Public Employment?

Mr HAMILTON-SMITH: It is in his report.

The Hon. M.D. RANN: You said you were dealing with it. Can you tell us where you are getting the question from?

Mr HAMILTON-SMITH: The figure of 17,017, the Commissioner for Public Employment in his annual report: the Commissioner for Public Employment 2007, the South Australian public sector workforce information dated June 2007 summary report of which the Premier and his head of department would be well aware.

The CHAIR: However, leader, you are also aware that this is not the time for the examination of people's annual reports. You can provide that as background information. The Premier will relate to the budget papers.

The Hon. M.D. RANN: In terms of DPC, the Commissioner for Public Employment coming on at the time that was agreed with the Leader of the Opposition, he is just playing games. He needs anger management considering the way he has been so discourteous and rude to other members of parliament this morning. It is an extraordinary performance. People want ideas, policies and decency: they do not want game playing and fake anger.

There has been an increase of 126.3 FTEs in the department from 2006-07, actual to 2007-08. The estimated results comprises two items. In 2006-07, various staff were on assignment in other government agencies, leave without pay or the position was vacant (87). Budget movements and the FTE cap for 2007-08, which is 38.9, as a result of the creation of Public Sector Revitalisation and Reform Unit, which is 20 FTEs; a one-off increase for cabinet office secondees, which is 12.6; and various net movements across departments.

The reduction of 85.2 budgeted FTEs between 2007-08 estimated result and 2008-09 budget estimate is largely due to SafeWork positions. The 2007-08 estimated result included a one-off additional 70 FTEs. The remaining variance of 15.2 FTEs relates to one-off funding across the department. People have highlighted the fact in the past. They have said, 'How come the administration in your department has grown bigger?' That is because we took in industrial relations, which is why I am intimately involved in industrial relations in terms of consultations with the minister, which is why, unlike the Leader of the Opposition, I will not give in to any ambit claim—and I am amazed that he says he would.

The fact is that we also have rec. and sport, other areas of government coming under my department. My department has grown because we have got rid of the department of administrative services.

Mr GRIFFITHS: I refer to Budget Paper 3, page 2.9, Industrial Relations Commission, additional commissioner, at a total cost of \$1.609 million over four years. Will the premier itemise the cost of the appointment of Mr Paul McMahon (who, I am advised, is a former AMWU official) to the Industrial Relations Commission by providing me with details of the breakdown into salary, conditions and other components of his remuneration?

The Hon. M.D. RANN: I will get a report on that. Obviously that comes under the Minister for Industrial Relations, but I am more than happy to get a report. If you are not there—

Mr HAMILTON-SMITH: You just said that you took on the industrial relations.

The Hon. M.D. RANN: What I said at the start is that there is a Minister for Industrial Relations who reports to him, but to save money administratively, the administration of departmental officers—and you are talking about commissioners (see you do not know the difference)—comes under the Department of the Premier and Cabinet. I will get you a report on that matter. I would imagine that he would have the same conditions as other commissioners.

Mr HAMILTON-SMITH: Budget Paper 4, Volume 1, page 1.7, talks of targets and highlights. We have heard a bit today about what the Premier says he spent. We all know that it is about public relations and media for the Premier. Will the Premier advise the house what level of personal involvement he has had with the following programs, a total cost of each program, the outcomes of each program and what justification there is for having his personal name and photograph attached to all the programs?

I will run through where the money is being spent: the Premier's Art Partnership Fund; the Premier's Award Scheme; the Premier's Climate Change Council; the Premier's Community Initiatives Fund; the Premier's Anzac Spirit School Prize; the Premier's Council for Women; the Premier's Women's Directory; the Premier's Science and Research Council; the Premier's Science and Research Fund; the Premier's Award for Lifetime Achievement; the Premier's Award for Reconciliation Competition 2008; the Active8 Premier's Youth Challenge; the Premier's Be Active Challenge; the Premier's Reading Challenge; the Premier's Industry Awards for Science and Mathematics and Teachers; the Premier's Science Excellence Awards; the Premier's Memorandum on a Youth Participation Program; the Premier's Food Awards; the Premier's Food Council; the Premier's Awards in Volunteering; the Premier's Awards for Outstanding Community Achievement; the Premier's Channel 9 Young Achiever of the Year; the Premier's Natural Resource Management Award; the Premier's Nursing and Midwifery Scholarship; the Premier's Drought Task Force; the Premier's Round Table on Sustainability; the Premier's Eyre Peninsula Bushfire Appeal; the Premier's Carnegie Technology Scholarship; the Premier's Aboriginal Advisory Council; the Premier's State Volunteer Congress; the Premier's Communication Advisory Group; and the list goes on.

When will we get some money spent on health, child protection and the things that matter and less on promoting you, Premier?

The Hon. M.D. RANN: We will have an announcement—we will have the Leader of the Opposition's anger management council.

Mr HAMILTON-SMITH: You have no answers, have you?

The Hon. M.D. RANN: Many of those things were set up by previous Liberal premiers. You actually announced a series of things, many of which were set up by former Liberal premiers. If people want to use the Premier's badge on that, so be it. You say you want leadership. Okay, you have just challenged me. You have asked the question: where is the difference in terms of where the money is going? More than 50 per cent more on education per child than when you were a minister.

Mr HAMILTON-SMITH: We do not want to know what you are spending. Where are the results you promised?

The CHAIR: Order!

The Hon. M.D. RANN: The results are much higher retention in schools than under the Liberals for our school students when school retention reached its lowest level under your government. The results are that we have 699 more doctors in the system than under the former Liberal government and 2,400 more nurses than under the former Liberal government. We have even brought back one of the hospitals that you privatised. That is the difference. We have more commitment to health, more commitment to education, kids staying at school longer and kids' literacy rates being improved compared to where they were.

What is my involvement with the reading challenge? Apart from its being my idea, I actually go out to many schools to meet the kids and to present them with their awards—because that is what a Premier does. I will stick to the Premier's Reading Challenge: you stay with the Leader of the Opposition's anger management council.

Mr PICCOLO: I refer to Budget Paper 4, Volume 1, page 1.19. When is South Australia's feed-in scheme expected to commence and what is the government doing to inform the public and industry about this scheme?

The Hon. M.D. RANN: I have covered part of that question but, in terms of the detail, we will be the first Australian jurisdiction to provide a feed-in bonus. It will pay a guaranteed premium tariff of \$0.44 (or 44¢) per unit of electricity per Kilowatt hour to households and small customers who feed solar electricity back into the grid. This could equate to a bonus of nearly \$400 annually for the average household.

Mr GRIFFITHS: I have a point of order, Madam Chair. I appreciate the answer being provided by the Premier, but I heard exactly the same comments in his introductory comments. We have already heard the answer to this question.

The Hon. M.D. RANN: I am providing additional information. I did not mention the 44¢ per unit. The feed-in benefit plays to an area of existing strength. Someone mentioned there will not be any more solar power. Well, I have news for you. I believe it will substantially increase the take-up of solar power. I am told that for every 100,000 households South Australia has three times the number of small scale solar installations of anywhere in Australia. It is seven times the national average.

The leader says where are the results? There is seven times more solar power in South Australia than the national average. It is terrific. It is happening here in South Australia, not elsewhere. Some 53 per cent of the nation's wind power and 40 per cent of the nation's solar power is happening in South Australia. Solar power is happening at seven times the national average. Can't even the opposition say that is a good thing?

Mr PICCOLO: I refer to Budget Paper 4, Volume 1, page 1.45. Why does the government need to intervene in operating the city's commercial building stock?

The Hon. M.D. RANN: This is an area where the state government can be a player. We can actually have a major impact because we are a significant leaser and renter of buildings. Adelaide has been a leader in the addition of new green buildings with Santos House, City Central and the new SA Water building. At the beginning, in order to get City Central going, the South Australian government committed to leasing about one-third of Tower One. That sealed its future in order to get a major development happening around Victoria Square, but it also secured the fact that it was the highest (at that stage) energy-rated building in the country—which is terrific. We now have Santos House, City Central and the SA Water building; ditto SA Water is leasing the new building which is about the greenest building in Australia.

Whilst these are welcome additions to the city's building stock, the energy consumption and greenhouse gas emissions from the CBD will be driven largely by the performance of our existing building stock. This is a notoriously difficult area as retrofitting buildings to improve their performance can be expensive. The fact that the cost and benefits get split between building owners and tenants also weakens the economic driver for investing, even where it achieves reasonable payouts.

I am advised that the property sector accounts for 25 per cent of Australia's greenhouse gas emissions—25 per cent! That is why the government is providing funding of \$600,000 per year for each of the next three years to mobilise more investment and to stimulate innovation in this sector. The government will be working with the Property Council to generate a suite of projects which allow for innovative approaches to be tested, such as the use of solar airconditioning, green roof gardens and window shading. In each case we will be looking at an improvement in the building's rating by at least one star. Recently I told the National Press Club that I was looking to make South Australia an international 'test bed' for innovation in responding to climate change. We are already having significant renewable power generation, as well as 80 per cent geothermal exploration. In urban areas we have Australia's largest rollout of solar panels, and we are financing the largest installation of solar panels. Building tune-ups represent another element in stabilising the state as a national and international leader in climate change driven innovation; and, again, it is where thinkers in residence have helped us, such as Herbert Girardet and Stephen Schneider (who advises my doppelganger, Arnold Schwarzenegger), and also—

Mr Hamilton-Smith interjecting:

The Hon. M.D. RANN: Yes, I will spell it for you later. That is why the Premier's Reading Challenge and the work we are doing in literacy is so important. We are also very pleased that we will be getting a thinker in residence from Carnegie Mellon University, Professor Laura Lee, who will be advising the state on green design. It is great having sustainable energy, it is great doing what we are doing with respect to leadership in solar and wind energy but it is also really important on building design in order to conserve energy.

Mr PICCOLO: Again, on the issue of solar power and the government's good record in this area, I refer the Premier to Budget Paper 4, Volume 1, page 1.19 under 'Targets for 2008-09'. Will the Premier outline the government's contribution to the Coober Pedy power station?

The Hon. M.D. RANN: This is a joint initiative between the private sector, the federal government and the state government. It is a ground-breaking solar project consisting of 26 dishes (each one 14 metres high) actually tracking the sun using an Australian design and delivering the nation's most efficient solar power station. These dishes move with the sun. They follow the sun. They are very large—14 metres is a very significantly sized solar dish. It is for completion at the end of 2009. It will generate about 1,860 megawatt hours a year (which is quite a lot), which is 13 per cent of Coober Pedy's total electricity requirements. It will cut diesel consumption by up to 520,000 litres a year (and that has to be a good thing), saving 1,500 tonnes of greenhouse gas emissions.

The state government is providing funding of \$635,000 for the project, which is developed in partnership with Solar Systems Pty Ltd, the District Council of Coober Pedy and Wesfarmer's subsidiary Energy Generation Pty Ltd (enGen). State government funding will be put to purchasing the high efficiency solar cells at the heart of the solar concentrating dishes. The Australian government is providing \$3.55 million under its Renewable Remote Power Generation Program, which helps Australians who live outside our major cities and towns and who are not connected to the main grid to gain access to renewable power supplies. I think it is terrific. Coober Pedy seems an eminently sensible place to have a solar ray.

Mr Hamilton-Smith interjecting:

The Hon. M.D. RANN: I am pleased that the Leader of the Opposition has finally agreed with something. I also want to mention Greg Watson and his SunCubes. I know that the member for Newland introduced me to him. I met these people at a display in Elder Park. He is the CEO of Green and Gold Energy. Whilst a lot of people are aware of the work that Origin is doing in terms of sliver cells, which is world-leading research and development being done here in Adelaide under Origin (which, of course, is a national company), it is terrific to meet Greg Watson who has a small company. He is the CEO of Green and Gold Energy, and he is doing some terrific research and development work with what are called SunCubes, which is a different kind of solar power resource—terrific work.

Mr HAMILTON-SMITH: I refer to Budget Paper 4, Volume 1, page 1.19 under 'Achievements', which lists the government's contribution through COAG to the design of national emissions trading schemes. I want an answer from the Premier because it relates to this achievement. Please do not dodge it, Premier. Does the Premier support the inclusion of transport fuels in this scheme from 2010, and, if so, what impact will this have on fuel prices across South Australia? Will it be 10¢, 20¢ or 30¢ per litre? What is the South Australian government's position?

The Hon. M.D. RANN: I can tell the leader that, under the Council of the Federation (CAF), we did some significant work in developing a discussion paper. I am very happy to provide a copy of that discussion paper. I am quite happy to give it to the Leader of the Opposition. That was not envisaged, from my memory, in the plans that we put forward. John Howard and the Liberal Party are totally in agreement with an emissions trading scheme being up and running by 2010. It was interesting that when I proposed an emissions—

Mr HAMILTON-SMITH: Do you support fuel being included or not, that is the question?

The Hon. M.D. RANN: I will answer the questions the way in which I want to answer them, because I am afraid the leader is not at all scary. I know his advice is that he has to toughen up a bit, muscle up a bit, but that is okay. The thing is that we have seen only an interim report from Garnaut. We are waiting for the next report, which, I think, is coming out imminently, and then a green paper. All of us want to see action on climate change but no-one wants to see an increase in petrol prices, and that is why I want to see the modelling and what Garnaut is proposing in terms of his final report.

Mr HAMILTON-SMITH: But, that is inconsistent with the Premier's line. He has been out there crowing that he is the world leader in climate change and sustainability. So why does he not have an opinion any more?

The CHAIR: Do you have a question, leader, otherwise we will have a break?

Mr HAMILTON-SMITH: I refer to Budget Paper 4, Volume 1, page 1.19—achievements, rooftop photovoltaic systems. Does the Premier support the Prime Minister's cuts to eligibility for assistance with solar cells for those who earn more than \$100,000? Does he support that policy, or

not? If he does not support it, what will he do to convince the Prime Minister to turn it around so there can be a bigger take-up of photovoltaic systems in households across the state of South Australia? We are advised that 80 per cent of business has evaporated for small businesses since Labor made that decision. Will he argue against it? Will he convince the Prime Minister he made a mistake and get him to reverse it?

The Hon. M.D. RANN: When I was talking about solar panels, the Leader of the Opposition was shaking his head and looking up at the media.

Mr Hamilton-Smith interjecting:

The Hon. M.D. RANN: But the fact of the matter is that the figures that I just read out—seven times the national average of solar panels in this state—

Mr HAMILTON-SMITH: Before this decision.

The Hon. M.D. RANN: No, seven times the national average. We have seven times more solar panels on rooftops in this state compared with the rest of the nation.

Mr HAMILTON-SMITH: Before this decision was made.

The Hon. M.D. RANN: Also, with 8 per cent of the population we have 40 per cent of the grid-connected solar power. And what I just announced is breaking news: from 1 July in this state, and in this state alone, everyone with a solar panel on their roof will be paid twice as much for the energy that they produce that goes into the grid. This is a feed-in tariff, and I think it is very important for the future. We already have seven times more solar power than the rest of the nation, and we are going to get more because I have introduced a law and that law will come into effect in a week's time and people will be paid twice as much for the energy they produce in the grid.

If you look at the details of the federal government's announcement, it is actually putting more money into solar rebates, considerably more, but what it has done is tailor it so that it helps poorer people—medium income people—to get solar panels.

DEPARTMENT OF TRADE AND ECONOMIC DEVELOPMENT, \$59,925,000

Departmental Advisers:

Mr R. Garrand, Chief Executive, Department of Trade and Economic Development.

Ms B. Wood, Director, Office of the Economic Development Board.

The CHAIR: I declare the proposed payments open for examination and refer members to the Portfolio Statement, Volume 1, part 2. Premier, do you wish to make an opening statement?

The Hon. M.D. RANN: In 2008 South Australia's economy overall was in excellent shape. For the seventh consecutive year the state budget is in surplus. Earlier this month the government released a building and investment budget worth more than \$10 billion over the forward estimates. It outlined the biggest investment in public transport that the state has seen—a total of \$2 billion, including the electrification of the train network and the development of a coast-to-coast tram system. The state's AAA credit rating that was regained in 2004 has been retained since. We have managed to achieve these things while committing to the biggest investment in infrastructure in the state's history.

We are also carrying out a program that will deliver a record of almost \$3 billion in tax cuts by 2013. We detailed sweeping changes to the state's planning system to massively reduce red tape and cut time for the granting of planning approval. It has been described by Property Council of South Australia executive director Nathan Paine as 'the single biggest economic reform South Australia has seen in two decades.'

Labour market figures under this government, compared to our predecessors, speak for themselves. In the past year, the rate of jobs growth in South Australia of 3 per cent has outstripped the national average of 2.5 per cent. Full-time employment grew by 14 per cent in trend terms between March 2002 and May 2008, compared to a 1.2 per cent rise from December 1993 to February 2002. On average, the annual growth rate under this government has been 2.2 per cent per year, compared to 0.1 per cent under the Liberals.

The trend participation rate grew from 60.6 per cent in March 2002 to 63 per cent in May this year, a growth of 2.4 percentage points. Under the previous administration, the state's trend participation rate fell from 61.5 per cent to 60.5 per cent, a drop of one percentage point. South Australia now has more people in employment than ever before, with an all-time high in full-time employment. We have recorded 14 consecutive months of jobs growth.

There are also record numbers of people in training and undertaking apprenticeships. In addition, private new capital investment increased to \$5 billion in the year to March 2008, the highest level since records began in September 1989. Business investment has grown by 129 per cent this decade. Annual exports are 66 per cent higher, and retail sales are 42 per cent higher. Our non-farm sector performed better, recording growth of 3.1 per cent.

GSP for South Australia grew by 0.8 per cent, with Access Economics also noting that 'no state has suffered more than South Australia from the current drought,' so we are obviously very concerned about regional impacts. Overall, the state is doing much better, but the drought has caused devastation, and is causing devastation, in some areas.

We have around \$45 billion in major projects underway or in the pipeline. An area of South Australia's economy that is undergoing massive growth is the mining sector. We currently have around \$25 billion worth of mining and energy projects at various stages of development. Expenditure on mining exploration has increased tenfold over the past five years.

Our share of national exploration spending has risen from 8.8 per cent in 2005 to 16.1 per cent in 2007. South Australia now has 10 operating mines, more than double the number when we came to office in 2002. There are around 30 more mines currently being planned or developed.

South Australia has risen from 36th place to fourth in the global rankings for 'mining potential' compiled by Canada's Fraser Institute, which covers over 60 international mining jurisdictions. In terms of mining potential, we are now rated ahead of Western Australia.

In its most recent quarterly economic report, the ANZ Bank noted that, 'South Australia has joined the ranks of the mining boom states.' Among the major mining projects, of course, that we are talking about is BHP Billiton's multi-billion dollar proposed expansion of its Olympic Dam operation. It is a US trillion dollar ore resource, and it is poised to become the world's greatest mine. In addition, KPMG's 2008 Competitive Alternatives report confirmed Adelaide's number one ranking for business competitiveness in Australia.

Bruce Carter was recently appointed as chair of the Economic Development Board following the retirement of David Simmons. In the coming months, the EDB will focus its attention on issues including planning and development, infrastructure, skills and workforce development, and budget reforms. Last month, the government set the EDB a new reference of work to seek advice on the future directions of the state's economy, the opportunities that are likely to emerge and how they can best be captured.

To oversee this task, the EDB has convened a working group chaired by Grant Belchamber along with Bruce Carter, Cheryl Bart, Michael Keating and Kevin Osbourne. The final output will be a consolidated economic statement for South Australia that will inform the state's economic policy settings for the next decade or so.

The Competitiveness Council, a subcommittee of the EDB, is also identifying developing and championing practical measures to reduce business red tape by at least 25 per cent. This has been translated into a target to save business \$150 million per year through red tape reductions.

The CHAIR: Leader of the Opposition, do you wish to make an opening statement?

Mr HAMILTON-SMITH: Thank you, Madam Chair. I will make some brief opening remarks. We have experienced seven of the best years this nation has ever had economically, and it seems that South Australia has hung on to the coat-tails of that growth, and that is good news. As the Premier points out, when he uses gross figures, employment has gone up and economic activity has gone up; yes, a lot of those indicators have risen in gross terms. The problem is that when you look at our performance relative to other states, in almost all cases, they have done better than us. On all key indicators, they have outperformed us. In fact, on a lot of indicators our share of national economic activity has decreased. This is the brutal truth of it. Our share of exports and employment growth—our share of the national economic cake—has either remained static or decreased. The facts speak for themselves.

Yes, it is true that things have improved, as the Premier frequently attempts to portray the state of the economy, but the point is that the structure of the state economy has not changed nor

is it being changed by him or his government virtually at all. There has been no significant tax reform. Very little has been done on infrastructure. We have a swag of promises out there now in the hope that the government will get a third term, but not many ribbons have been cut. There has been little reform to the public sector and little reform to the things that matter. Red tape is as bad as it has always been, and that is partly why the economy compared to other states is still languishing.

It is why manufacturing is in trouble and food is in trouble. Yes, there has been a drought but there has been a drought right across the nation. I have to say that the Premier is the luckiest Premier this state has ever seen. To have helped wreck the state in 1993, and then to have found himself back in government during seven of the best years the state has ever had, he must just sit down in the morning over a cup of tea and think, 'My golly my gosh, I just cannot believe how lucky I am.' So, I get to the point: what has the government done to make a difference and what has the government done here to improve our competitive position relative to other states? We are even starting now to fall behind Tasmania on a number of key indicators, if you have read the ABS figures carefully. The Premier never talks about our competitive position relative to other states because he knows it is poor. This is the brutal truth of it.

The other point is that the Premier in his opening remarks talked about mining and defence, and I think in regard to defence there has been some progress, and we all know that the federal government awarded us the air warfare destroyer contract. I ponder over whether the current federal government would have awarded it our way. We have gone from four cabinet ministers to one. I think the bargaining power of Victoria would have been significantly greater had the Rudd government had that decision to make. Full points to the ASC and full points to Thomas Playford for getting DSTO here. That is all pleasing but it is not going to be transformational. The brutal truth of it is that more jobs are being lost out of manufacturing and food by far than have been created in defence. They are good jobs to have. Everyone supports it, particularly the opposition, and it is great, but it is being oversold.

However, not as much as mining: if ever there were a case of over-spruiking, it has been in the area of mining. The brutal truth of it, as the Premier would know—and this is a point worth noting for the media—is that the budget paper reveals royalties at \$163.5 million in the coming year.

The CHAIR: Sorry to interrupt, leader, but I am advised that the camera operators need reminding that their permission enables them to direct the cameras at the speakers, not at other members of the chamber or the gallery. Leader, please continue.

Mr HAMILTON-SMITH: The brutal truth of it is that mining royalties are at \$163.5 million. In Queensland, in this same financial year, royalties were \$3.6 billion. In Western Australia, they were \$3.4 billion. The point I am making is that we all welcome the exploration that is going on; we all welcome the prospects for further growth and mining—it is wonderful news. But even if the royalty rate doubled, tripled or quadrupled to about \$500 million to \$600 million, it is nowhere near \$3.6 billion. To suggest, as the Premier is, that somehow we are going to become the Dubai of the south and that somehow or other we are going to leave Queensland and Western Australia in our wake is just fallacious. It is just untrue. There are \$40 billion worth of LNG and petroleum projects alone cab-ranked in WA. There is \$24 billion worth of coal being exported from the Eastern States. You only need to look at the royalty rates because they speak for themselves. The exploration is wonderful but we need to see results flowing from that exploration—and I think it will be some time.

Good people are listening to the Premier and going off and paying inflated prices for houses in Whyalla and the Upper Spencer Gulf, thinking and believing this over-spruiking that is going on about defence. Some of those people may do their money. Indeed, investors from interstate are coming in and doing the same thing. On any scale, while all this is welcome and we fully support it—in fact, it was a Liberal scheme to promote mining exploration that became this government's scheme that helped contribute to that exploration and we all want to see it grow—but be careful you do not over sell this, Premier. That would be my message because people could be disappointed. Yes, we need to see the growth but we need to deal with the facts, not the fiction.

This government in this budget, in regard to economic development, is now following an agenda set by this opposition, not its own agenda. It seems now that when we get out there on an issue, pretty soon it turns up in a government policy document. If you ever need two examples of that, one was desalination—completely dismissed and scoffed at by the government when it was first proposed by us, then later adopted reluctantly as its position—and the other is the need for an international world-class football stadium. On the record, again and again, the Premier and his ministers scoff at the idea and refuse to do anything about helping to establish one and then

immediately they embrace it. So, in regard to the economy, let's deal with the facts and our relative position compared to other states. We have been going through a period of national and international buoyancy but the fact is this: as all cycles do, this cycle will change. When and if things turn down, where will our competitive position be? That is the question.

We have some economic uncertainty here. Our funds have lost hundreds of millions of dollars on international markets. When that dissipates, what will our fundamental position be? What will be the condition of food? Exports have only just gone beyond what they were back in 2002. They have not even hit \$10 billion yet, I think. Back in 2002, exports were \$9.6 billion. They have only just got back to that point. Where will food and food production be? Where will manufacturing be? What have we done to transform those manufacturers? It is still a much bigger slice of industry than mining, which I think is only barely over 4 per cent. Instead of promising people what might happen in the future one day, we need to deal with the realities of our economy today. I think that is an area where this government has failed.

With that, I will move on to my first question, which is about mining. I refer to Budget Paper 3, page 8.5. Given the government's claim—repeated a moment ago—that we are experiencing a sustained rapid growth in the mining industry, can the Premier explain to the committee why recent ABS figures fresh off the printer have shown a 37 per cent drop in employment levels in this sector in this state since February last year—so, virtually over the past 12 months, or a bit beyond—from 12,500 jobs to 7,900 jobs?

Can the Premier explain why the 2006-07 ABS state account figures show also that the contribution of mining to the state economy from 1996 to 2006-07 has actually contracted from 4.8 per cent to 4.3 per cent? I genuinely want an explanation. Why is it that job numbers in mining have shrunk over the past 12 months and the state's share of the GSP, its contribution to our economy, has declined from 4.8 per cent to 4.3 per cent?

The CHAIR: Leader, are you able to provide the committee with a copy of the figures that you state, given that they are ABS figures?

Mr HAMILTON-SMITH: They are ABS figures; they are readily available.

The CHAIR: However, they are not in front of the Premier, so it is very difficult for him to comment on them.

Mr HAMILTON-SMITH: I will ask my staff to ferry them down. They will be here within five minutes.

The CHAIR: If you could circulate those figures.

Mr HAMILTON-SMITH: He would know the figures.

The Hon. M.D. RANN: I have just listened in silence to the leader's speech and his question, and I know he will listen in silence to me. I want to answer some of the things he mentioned. He said that we are frightened of comparisons. He likes ABS figures. In the past year, the rate of jobs growth in South Australia of 3 per cent has outstripped the nation's jobs growth of 2.5 per cent. You say we are frightened of comparisons. The annual growth rate under this government has been 2.2 per cent per year compared to 0.1 per cent under the former Liberal government. Under us, 2.2 per cent and 0.1 per cent under you. You say we are frightened of comparisons. Business investment has grown by 129 per cent this decade. Access Economics says that the GSP for South Australia grew by 0.8 per cent. You also say that the drought is the same around the country, but Access Economics said that no state has suffered more from the current drought than South Australia.

You say we are frightened of comparisons. Expenditure on mining exploration under this government over the past five years has increased tenfold, outperforming every other state, including Queensland, but not Western Australia. You say we are frightened of interstate comparisons. Our share of national exploration spending has risen from 8.8 per cent of the nation's exploration in 2005 to 16.1 per cent in 2007. You say we are frightened of interstate comparisons. Leader, our share of national exploration spending has risen from 8.8 per cent in 2005 to 16.1 per cent—almost double the national share.

You say we are frightened of comparisons, leader, but South Australia has risen from 36th place to fourth in the global rankings for mining potential—compared not by me, not on my figures, but by the Fraser Institute in Canada, which apparently covers, I think, over 68 mining jurisdictions. For mining potential, we have now been rated ahead of the other states. It was not me who said South Australia has joined the ranks of the mining boom states, it was the ANZ Bank. You say we

are frightened of comparisons, but KPMG's 2008 competitive alternatives report confirms Adelaide's number-one ranking for business competitiveness compared to any other city in Australia.

You say we are frightened of comparisons, but look at South Australia's state final demand. The state final demand increased by 1.5 per cent in real, seasonally adjusted terms in the March quarter of 2008, the strongest of all states and territories. You say we are frightened of comparisons, but employment growth has been stronger than the national rate over the past year. You say we are frightened of comparisons, but full-time employment growth averaged 2.2 per cent per annum between March 2002 and May 2008, compared to just 0.1 per cent under the government in which you were a cabinet minister. In terms of full-time employment growth, 2.2 per cent under us, 0.1 per cent under you.

Mr HAMILTON-SMITH: A recession we had to have and a State Bank debt. You contributed to our unemployment rate, Premier. You were the main contributor from 1993 to 2001. That was your crowning achievement.

The Hon. M.D. RANN: The trouble is that you can concentrate on anger management—

Mr HAMILTON-SMITH: You are just selectively ducking around and comparing figures that suit you.

The Hon. M.D. RANN: I am giving you comparisons and, unfortunately, you do not like the comparisons. You do not like the comparisons with the other states but, even more, you do not like the comparisons when you were in government, when you had only one policy, which was privatisation and there are now 87,000 more people in work than there were when you left office during that glittering time when you were a cabinet minister.

You are now questioning the future of the mining industry. We have gone from four mines under you to 10 mines under us and another 30 coming. There is going to be plenty more jobs and you can try to talk it down, but a ten-fold increase in mining exploration. We are now exceeding all other states other than Western Australia. We have now gone past Queensland. If you do not think that is good news you are the only one in this state who does not.

Mr HAMILTON-SMITH: Still on the same question; I just want to make sure I understand the answer: why then did jobs decline and the mining share of the state economy decrease in the year past if there is all this growth happening? I am just trying to get my head around that.

The Hon. M.D. RANN: I can tell you that mining jobs have been going up and mining exports have been going up, and what we are seeing at the moment is mining competing with the wine industry in terms of our being a major exporter of the state. I am prepared to put good money on it that mining will overtake the wine industry in terms of future exports for South Australia. You can talk mining down, no-one else is. The figures speak for themselves.

Mr HAMILTON-SMITH: My second question: no-one's talking mining down, we are just saying deal with the facts, not fantasy, Premier. You are over spruiking it because it suits your political purposes to over spruik it, because you are trying to convince everybody that they should re-elect you for a third term because, 'Although we haven't done as well as we could have, give us a third term and all will fall from the trees abundantly.' We are just saying deal with the facts, not the fiction. On the facts, Budget Paper 3, page 3.24, and the royalty figure of \$163.5 million: based on your forecast growth in mining, what do you expect royalties to go to? Will it double, will it triple, or will it quadruple, and what does your forecasting tell you that mining royalties will be in, say, five years from now?

The Hon. M.D. RANN: I am very happy to get you a report from the Treasurer on those figures. I do not have them in front of me. I have some further figures for you: growth in mineral exploration expenditure for new deposits during the 12 months to March quarter 2008, you want comparisons, so that is the March quarter to 2008, these are the very latest figures: 152 per cent increase in mining exploration during that time, far exceeding any other state or territory. 152 per cent during the 12 months to the March quarter 2008, exceeding any other state or territory and SA is ranked, as we have said, as the fourth most prospective place in the world out of more than 60 jurisdictions, including Western Australia. You can say this is my spin. These are the official figures. They are the official figures.

Mr HAMILTON-SMITH: On this question number two of official figures, let me give you the official figures out of your Budget Paper, on page 3.24 of Budget Paper 3. The official figures, Premier, you estimate, are that between 2009-10 and 2010-11 you expect mining royalties to go up 1 per cent, from \$183.8 million to \$185.5 million, and by 2011-12, you expect royalties to hit the

striking level of \$193 million. By that time royalties in Queensland will be hitting \$4 billion. I am trying to get my head around how you are telling people we are going to become the Dubai of the south when our figure is \$193 million and Queensland's is \$4 billion?

The Hon. M.D. RANN: This is what is happening, and this is what you do not understand. I am happy to explain this to you. There has been a ten-fold increase in mining exploration. With the exploration which followed the PACE initiative (Plan for Accelerated Exploration), which was an idea given to me—it was not my idea, it came from Robert Champion de Crespigny—never has \$30 million in the state's history got a bigger bang for buck. There has been a ten-fold increase in mining exploration over the past five years. I have just given you the 152 per cent lift that has come through in the past year, according to figures just at hand.

What has happened, leader, is that they are finding stuff everywhere. So we have gone from four mines under your jurisdiction to nine or 10 mines now with 30 more to come. Of course, what happens is you do not get the royalties until the mines actually open. For instance, to give you an idea about—and I am amazed you do not know this—the expansion of Roxby Downs, it will take four years of digging—and that is four years of digging out over 1 million tonnes of overburden a day—before they get to the ore body. We are talking about the biggest mine in world history.

You do not get the royalties while they are digging out the dirt over the top, but there is a 100 year mine below with the world's biggest source of uranium. It is valued at \$US1 trillion. It is also the fourth biggest ore body of copper in the world, the sixth biggest ore body of gold in the world which makes it, as you would know, the biggest gold mine in Australia as well, all wrapped up in one ore body. You do not get the royalties until you mine the ore body.

Four years of digging perhaps two or three million tonnes a year of overburden to get to the ore body. That will cost a hell of a lot of money. There will be a construction camp with thousands of people. That construction camp will have to be fed and watered. It will be a big boom for the support industries.

I encourage the Leader of the Opposition to go to Antofagasta in Chile, which is about two or 2½ hours drive from Escondida, which is currently the world's biggest mine but which will be exceeded by South Australia's Olympic Dam mine. What you will see at Antofagasta is a big industrial base of support industries, because the 10,000 people at the mine have to be fed three times a day and provided with other supports—their linen has to be done, their dry-cleaning and their laundry, as well.

Mr Hamilton-Smith interjecting:

The Hon. M.D. RANN: He does not think that is important. Don't you think that 10,000 people have to get their uniforms? These are the support industries that are important. Let me explain further. Just recently, in the northern suburbs I opened a centre that is building not Nissen huts but motel units for the mining industry. It will be building hundreds of these units every year. It is building them for the South Australian mining industry, the Northern Territory mining industry and the Western Australian mining industry. That is good news for the state. That is the problem: under your vision these mines are some kind of mirage in the desert. I want you to go to Prominent Hill, because hundreds of people are there. Go to Beverley and these other places and see for yourself.

Mr HAMILTON-SMITH: Since the Premier has led with his chin and brought in the question of BHP, I refer to Budget Paper 3, page 8.5 in regard to that development. This is the mining development that this Premier personally crusaded against. He did not want Roxby Downs: it was a mirage in the desert; it was criminal; it should never have been dug. A champion of anti-uranium mining. One of the biggest political backflips—some would say hypocritical backflips of all time—is the fact that the Premier now seeks to be the champion of the very thing which, on principle, he opposed. On the subject, that page of the budget paper says:

...no allowance has been made for the impacts of the yet to be approved expansion of the Olympic Dam mine.

I want to know a couple of things from the Premier. Let us say that the production at Roxby Downs doubles. We are doubling the size of Roxby Downs, so if it doubles, I presume that means that royalties will certainly no more than double. It is 163.5 million at the moment. Even if after the overburden is removed, even if the mining is underway, even if the output is doubled—

The CHAIR: Order! Ask your question, leader.

Mr HAMILTON-SMITH: Is that correct; royalties will no more than double? Secondly, what is the latest advice the Premier has received from BHP Billiton regarding whether this expansion will proceed? Has he or has he not received a 100 per cent guarantee that it will go ahead in the form that he has just enunciated? Can he also tell us what is the status of his hairy-chested sort of demands that the concentrate be smelted here and his insistence that all the value-adding occur here? Is it right that royalties will only double? What is the state of play with BHP? Can he give us an ironclad guarantee that this will go ahead—it is in pre-feasibility stage—and how is he going with his insistence that all the value will be added here?

The Hon. M.D. RANN: I find this extraordinary. He is saying that we say in our budget papers that we are not taking into account in terms of future royalties what will come out of the Roxby Downs expansion before it is given the go ahead. If we had factored that into the budget, apart from the implications on the stock exchange, he would have been championing in here. We would have seen the red-faced, anger management Martin Hamilton-Smith come in here and say, 'Oh, it has not been given the final approval: it is still in pre-feasibility.' Therefore, it is outrageous that we would have factored in the royalties.

The fact that our budget is in such good nick without factoring in the royalties that will come from an expanded Olympic Dam should give you great confidence. I know that, around the traps, the Leader of the Opposition would love to think that, at the darkest hour before dawn, Olympic Dam will not go ahead. I think he will be whistling Dixie in the dark.

Mr HAMILTON-SMITH: We all want it to go ahead: we just want to deal with the facts, not the spin.

The Hon. M.D. RANN: It does not sound like it from what you have been saying about the pre-feasibility in recent times. Western Mining was sold. Do you seriously believe that BHP Billiton would have purchased Western Mining and purchased the world's biggest deposit (which has now been valued conservatively at \$US1 trillion) if they did not intend to proceed with it? Do you think they will leave it as a car park? I know what they will do: they spent billions of dollars not to develop it, they will leave it as a car park, some kind of mirage in the desert. If you believe that, then it really says something about your confidence in our state or the fact that you are prepared to put your own political ambitions ahead of anything or anyone. We saw your loyalty test to Iain Evans and Rob Kerin.

The key point is that they are in pre-feasibility. They will make a decision in 2010 whether or not to go ahead with the world's biggest expansion. That is why you have a pre-feasibility. They are spending hundreds of millions of dollars. Yes, we have not factored in royalties from the expanded Olympic Dam because to have done so would have been improper. We have to wait until the go ahead happens. Am I confident the go ahead will happen? Absolutely. Is everyone in the mining industry confident that Olympic Dam will go ahead? Absolutely. The leader should go out and talk to them. The fact is that we have got a tenfold increase in exploration. We are now exploring at a level greater than even Queensland. The figure of 152 per cent speaks for itself. These are not my figures; these are the official figures. We estimate that 133,000 additional workers will be required between now and 2017-28 due to the new opportunities stimulated by major projects.

Mr HAMILTON-SMITH: Before we wrap up, the Premier asked me the source of the ABS information. I refer him to ABS series 5220, which shows that the share of mining in the South Australian economy since 1997 to 2007 has shrunk from 4.8 per cent to 4.3 per cent. I will now put the omnibus questions to the Premier.

The CHAIR: For what portfolios? Are they for all portfolios administered by the Premier?

Mr HAMILTON-SMITH: Yes. I ask the Premier to come back to us with the answers.

1. Will the Premier 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 minister: including the current total cost of the provision of payroll, finance, human resources, procurement, records management and information technology services in each department or agency reporting to the minister, as well as the full-time equivalent staffing numbers involved.

2. Will the Premier provide a detailed breakdown of expenditure on consultants and contractors in 2007-08 for all departments and agencies reporting to the minister, listing the name of the consultant and contractor, cost, work undertaken and method of appointment?

3. For each department or agency reporting to the minister how many surplus employees there will be at 30 June 2008, and for each surplus employee what is the title or classification of the employee and the Total Employment Cost (TEC) of the employee?

4. In the financial year 2006-07 for all departments and agencies reporting to the minister what underspending on projects and programs was not approved by cabinet for carryover expenditure in 2007-08?

5. For all departments and agencies reporting to the minister what is the estimated level of under expenditure for 2007-08 and has cabinet already approved any carryover expenditure into 2008-09? 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 sub-category 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 minister as at 30 June 2008; and
- (ii) Between 30 June 2007 and 30 June 2008, will the Premier list 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 2006-07 and 2007-08 will the Premier provide a breakdown of expenditure on all grants administered by all departments and agencies reporting to the minister, listing the name of the grant recipient, the amount of the grant and the purpose of the grants and whether the grant was subject to a grant agreement as required by Treasurers Instruction No. 15?

8. For all capital works projects listed in Budget Paper 5 that are the responsibility of the Premier list the total amounts spent to date on each project?

The CHAIR: I point out that the 2006-07 budget is not under consideration. Also, in relation to the figures, are you providing those for circulation or are you simply referring the Premier to the reference so that he can make his own interpretation?

Mr HAMILTON-SMITH: We can give him those.

The Hon. M.D. RANN: In relation to the question about consultants, could you repeat the question?

Mr HAMILTON-SMITH: Will the Premier provide a detailed breakdown of expenditure on consultants and contractors in 2007-08 for all departments and agencies reporting to the Premier, listing the name of the consultant or contractor, cost, work undertaken and method of appointment?

The Hon. M.D. RANN: Normally, it is over \$2,000 because it would chew up massive amounts of time.

Mr HAMILTON-SMITH: Over \$2,000 is okay.

The CHAIR: The time for examination for this line having expired, I declare the examination of the vote completed.

Membership:

Mrs Geraghty substituted for Ms Ciccarello.

Witness:

Hon. J. Weatherill, Minister Assisting the Premier in Cabinet Business and Public Sector Management.

Departmental Advisers:

Mr W. McCann, Chief Executive, Department of the Premier and Cabinet.

Mr T. O'Loughlin, Deputy Chief Executive, Sustainability and Workforce Management, Department of the Premier and Cabinet.

Mr. J. Walsh, Commissioner for Public Employment.

Mr E. Brooks, Executive Director, Public Sector Workforce Division, Department of the Premier and Cabinet.

Mr S. Ashby, Deputy Chief Executive, Departmental Affairs, Department of the Premier and Cabinet.

Mr T. Goodes, Executive Director, Services Division, Department of the Premier and Cabinet.

Ms R. Read, Director, Corporate Affairs, Services Division, Department of the Premier and Cabinet.

Ms M. Griffiths, Manager, Budgets, Corporate Services Branch, Services Division, Department of the Premier and Cabinet.

The CHAIR: We have a separate line to open. Under the portfolio of the Premier and Cabinet, we now have the Minister Assisting the Premier in Cabinet Business and Public Sector Management, Office of Public Employment, \$1.28 million. I declare the proposed payments open for examination and refer members to the Portfolio Statement, Volume 1, part 1. Minister, do you have an opening statement?

The Hon. J.W. WEATHERILL: Getting the most out of the public sector is vital for any government, and that is particularly important for a government that has such great ambition for our state. We are on the cusp of unprecedented economic growth, as the Premier has just been explaining. It will change the needs, the capacity and the means to deliver those needs and in different ways. One of the major effects on us is the war for talent. The labour market is increasingly tightening and emerging industries are fighting for talent. This means that the government must find new ways to attract, recruit and retain skilled staff.

In 2006, the government took up this challenge with the creation of the Government Reform Commission (GRC). The GRC focused on three main areas:

- improving and streamlining decision-making processes;
- making the public sector an employer of choice; and
- creating a customer service culture resulting in improved customer satisfaction.

The successes of the Government Reform Commission have been many and include:

- strengthening cabinet office;
- uniform regional boundaries;
- South Australian Executive Service (SAES);
- Premier's Awards for Public Sector Excellence;
- Plain English program; and
- youth recruitment and retention strategies.

The GRC finished its work on time and on budget. It was always conceived as a time-limited entity to identify key reforms and have them adopted by government. Its final recommendation was the continuation of the reform program and continued implementation of its reforms within agencies. This is particularly important given the challenges posed for government by the matters to which I referred earlier. This is why we have created the Public Sector Performance Commission to carry forward that action for the future. The Public Sector Performance Commission will assist planning for the workforce development needs of the South Australian Public Service.

It will work with chief executives to help government services to be more flexible and customer focused. It will be about lifting performance in agencies and developing better leadership in the public sector. In doing this, there will be six key areas of responsibility:

- enabling agility;
- improving workforce capability;
- promoting and facilitating innovation;

- lifting performance;
- providing leadership; and
- analysing best practice and identifying best trends.

In particular, it will have carriage of the South Australian Executive Service, the leadership indicator for our public sector. Raising the bar on performance means investing in public servants to ensure that we get better leadership in decision making. We want to attract the very best we can. The Australia and New Zealand School of Government (ANZSOG) has been engaged and will invest in SAES careers by funding ANZSOG leadership scholarship programs. The South Australian Executive Service commenced in August 2007. Of the 501 Public Sector Act executives, 407 have been invited to join and 306 have accepted and been processed, a take-up return of over 75 per cent. We intend to extend SAES to other public sector executives during 2008.

The Public Sector Performance Commission (PSPC) commenced its preliminary work program in April 2008. The Advisory Board will commence its work on 1 July, and I am pleased to say that a number of well credentialed South Australians and interstate people have agreed to join the board: Professor Jennifer Westacott, a KPMG partner in charge of sustainability and climate change; Estelle Bowman, a chartered occupational psychologist; Professor Barbara Pocock, Director of the Centre of Work Life Balance; Dr Tom Stubbs, a former chief executive of the GRC; Professor Roy Greene, Dean of Macquarie Graduate School of Management; Jim Hallion, Chief Executive, Department of Transport, Energy and Infrastructure; and Police Commissioner Mal Hyde. Those are my opening remarks.

The CHAIR: Leader, do you have any comments?

Mr HAMILTON-SMITH: Yes, I do have some opening remarks. I think that the sector management stands out as an area of gross failure in the seven budgets this government has presented, and it started at the very beginning with decisions to fatten up the size of government itself by having 15 ministers. When you have 15 ministers (an unprecedented number of cabinet ministers), you create levels and layers of bureaucracy that complicate public sector management. The government has clearly lost control of the size of government; and, in doing so, it has burdened not only itself but future governments with a very large number of people who will need to be cared for in regard to superannuation, WorkCover and all the on-costs of employment growth.

There seems to be no sign that the pace of growth is easing. One thing we need to pin down this morning is exactly how many people are on the payroll. The Office of the Commissioner for Public Employment does not agree with the minister and he does not agree with the budget. The budget does not agree with statements made by the Treasurer to the parliament, and no-one seems to know how many people are employed and how many full-time equivalents are employed. Can we please come away from today with a clear statement to the people of South Australia about, first, exactly how many human beings are on the payroll when you count FTEs and part-timers; and, secondly, how many FTE equivalents are on the payroll?

Can we also work out why and explain why the government does not agree with the Commissioner for Public Employment? I will have questions on that in a moment. The other issue we need to resolve this morning is why the pyramid of government has been turned upside down since this government came into office. It used to be that we had a small number of senior managers paid \$100,000 or more, or \$150,000 or more. I know the rhetoric from the government now. It does not like to talk about fat cats being paid \$100,000. Government members did when they were in opposition, but now they want a bigger figure used because it suits their purposes to bury the numbers. It has exploded; \$100,000, I will just remind the Premier for people living in his electorate where he does not live, is a lot of money, all right?

The pyramid has been turned upside down. We now have this huge number of highly paid people on the top and not enough people at the bottom to provide services. The pyramid has been turned upside down—little wonder that the minister (who has just come in) is having trouble with the doctors, nurses and the teachers. Quite understandably, they are seeking to be paid fairly compared with other states, and he has grown the size of the cake to the point where it has a very significant budget impact. It is not just doctors, nurses and teachers (we need them more than anything): it is the other categories of employment.

The other thing we need to sort out this morning is how many of these people are doctors, teachers and nurses. The facts speak for themselves. A very small proportion are doctors, teachers and police. The vast majority—well over half, more towards two-thirds—are in other categories of government. But, of course, we will do everything this morning, I am sure, to tap dance around the

truth, but we want to know how many of the 12,000 or so, at least, extra public servants genuinely are service deliverers.

I will conclude my opening remarks on this point: most of all, if you ever need an example of where this government has got it so wrong, look at those 21 children in the northern suburbs. If you need proof that this government's priorities are with fat cats and not with people delivering services to families, children and those in distress and in need (whether it is in the mental health system, the disability sector or the families and communities sector), look what has happened to those 21 people. The government tells us it does not have enough employees to check with the commonwealth which families receiving federal benefits are living in the northern suburbs, or elsewhere, to see if they are in South Australia. It says it does not have enough public servants to check whether the kids are going to school, that it does not have enough public servants to investigate complaints to Families and Communities. Only the level 1 complaints, and some of the level 2 complaints, maybe, are being acted on. So, when the neighbours ring up and say kids are being abused, we do not have enough people to deal with it.

We have already had the cost blow-out. The government and the minister want to talk about how much they are spending. I remember the slogan Mr Rann used at the last election. Do you know what it said? 'Mike Rann gets results'. There are 21 kids in the northern suburbs in distress—a lot of them are in hospital at the moment. Those 21 kids are an example of the results Mike Rann gets. That is the truth of it. The rest is spin.

I have a question I want to ask the minister and it relates to Budget Paper 4, Volume 1, page 1.18. It is fine to get up and look very sad on TV, but there are 21 kids here whose lives are at risk. We all know how tragic it is, so we do not need a lecture from the minister about that.

The CHAIR: Order! Have you completed your statement, or are you asking questions?

Mr HAMILTON-SMITH: I have, and I will ask the question. It relates to that budget line. Does the minister assisting the Premier agree that this week's revelations about children in unsafe and unhygienic conditions indicate that the so-called policies of early intervention about which we have heard so much have failed? Does the minister assisting the Premier concede that the government's number of social workers has not kept pace with the increase of reported cases of abuse and neglect? Before he answers, I remind the minister that he himself said to *The Advertiser* in a report printed on 7 April this year the following:

Thousands of reported cases of child neglect are not investigated because of a shortage of social workers.

The Hon. M.D. RANN: I am going to start, because there is a series of rhetorical questions in the leader's remarks. It is actually a reprise, because I think there are different cameras present from those here earlier, so I am used to this. It was actually said earlier in the day, and answered.

In terms of the questions about the public sector workforce, over the last six years, June 2002 to June 2007, the South Australian public sector workforce has remained relatively constant—between 12.1 per cent and 12.5 per cent of the total South Australian workforce. That represents a significant drop from levels of 20 years ago when the public sector was 17.8 per cent of the total SA workforce. However, I acknowledge that there has been an increase in the number of people in the public sector.

This morning the leader has called for cuts, then he has called for more, because he says whatever he thinks of at that moment. There has been an increase, and the majority of the increase in the number of employees since 2002 has occurred in the major portfolio areas of health and community services (by 72 per cent, or 7,841 persons) and education and TAFE (12 per cent, or 1,357 persons)—because we have 699 more doctors than we had when you were in office, 2,400 more nurses than when you were in office, and there are many more child protection officers and social workers.

Let me explain about that big figure of all those extra people in health and community services. Health and community services include occupations such as medical officers, nurses and other health professionals. It includes laboratory technicians, occupational therapists, speech pathologists, social workers and medical imaging staff. Those in education and TAFE include school services officers and staff employed under the Education Act and the TAFE act.

I know you have some questions you want to ask of the minister, which I answered before, but the fact is that there is \$190 million extra in this budget alone for child protection, because what we are doing is remedying what you neglected because you did not care about child protection when you were in government—just as you cut hospitals and health, just as we saw a huge

reduction in the number of kids completing school in your term in office. We are rebuilding, and we are putting more and more effort into health and child protection. I am quite happy to repeat today that, in my view, if any family shows manifest neglect and abuse of its children, I would have no hesitation supporting moves to take those children into appropriate care and away from them.

Mr HAMILTON-SMITH: Rack 'em, stack 'em and pack 'em. Your policy for families in distress now is rack 'em, stack 'em and pack 'em. Is that it?

The Hon. M.D. RANN: That is the fifth time, and I know you are trying to get on Channel 10. You have already said that about four times today. The point of the matter is that, ultimately, it has to be about the welfare of the children. Do not feel sorry for those who abuse children. Do not feel sorry for those who sexually abuse children or abuse them in other ways. Ultimately, it is about the children and their welfare.

The Hon. J.W. WEATHERILL: I will continue, perhaps, where the Premier left off. Consistent with that policy, we have seen the increase in the number of children taken into care over the period of this government reach levels of something in the order of 10 per cent per annum. That is in itself a disturbing figure, but it demonstrates that we do not hesitate to remove children in circumstances where they are unsafe.

I want to spend a moment in responding to the Leader of the Opposition's question to really paint the picture of where we have come in the six years or so since we have been in government, because the system that we found in relation to child protection was nothing short of a disgrace. I know that the leader likes to show some faux outrage about the misery of a few families and seek to gain a political point about that, but where was he when he was in cabinet? Did he raise these questions?

Mr HAMILTON-SMITH: It is 2008. If the minister wants to talk about the past, let us go back to the State Bank, let us go back to the chaos you left. It is 2008, and people want to know what you are doing about it today.

The CHAIR: Order! Leader of the Opposition, I have had enough.

The Hon. J.W. WEATHERILL: I will explain precisely—

Mr Hamilton-Smith interjecting:

The CHAIR: Order! Minister, just a moment, please. Leader of the Opposition, I have had enough of this. The time will go.

The Hon. J.W. WEATHERILL: I am sure the Leader of the Opposition is deeply embarrassed about his record when he was in government about child protection, because we picked up a child protection system that was on its knees. Worse than that, when they were told it was on its knees, they actively sought to hide the fact.

I have spoken to the head of one of the important child protection agencies and she told me that, when she sought to explain to the previous government that the system was in crisis, she was told that she could not use the word 'crisis'. We know that when they had reports concerning the system of child protection, they actively sought not to release them and pulped those reports.

That is the track record of those who come into this place now seeking to hurl accusations at us. They were not only were aware that the system was on its knees but they actively sought to conceal that from the community. So, do not come in here and lecture me about child protection. As soon as we were aware of the circumstances of these six children, within hours, they were in our care. That is a child protection system that is responsive: ambulance drivers, police officers, child protection agency workers and hospital workers working in conjunction to save those children.

The parents were not feeding those children; we are feeding them. The parents were not clothing those children; we are clothing them. The parents were not accommodating those children; we are accommodating them. We are keeping those children safe, so do not come in here and point the finger at us.

Mr HAMILTON-SMITH: Where is your early intervention?

The Hon. J.W. WEATHERILL: We intervened as soon as we saw those children. As soon as those children came to our attention we acted with all speed. We are now acting to protect those children, and they are now safe in our care.

I also want to address what we are doing in relation to the broader agenda. In this child protection system, there is always an opportunity for a cheap political point. There is nobody in the

broader community who thinks that questions of entrenched intergenerational poverty are going to be solved with the stroke of the pen. Nobody believes that, and anybody who seeks to climb aboard the misery of a few families and seek to make a political point about it will ultimately be judged poorly by the community.

Keep on this line and they will see through this. They will see a government that from one of its first acts—indeed, within three weeks of coming into office—commissioned the most far-reaching reform into child protection this state has ever seen. Did it stop there? No. A massive injection of resources: over \$100 million; our first major injection in resources. What was the next thing we did? The Mullighan inquiry. A three-year examination into child sexual abuse of children in care. What did we do in response to that? A further \$190 million. The truth is that this government has been unceasing in its effort to keep children safe, and those opposite should be embarrassed about the legacy they left us.

The Hon. M.D. RANN: They covered up child sexual abuse; that's what they did?

Mr HAMILTON-SMITH: What was that, Premier? Just say that again. Go on.

The Hon. M.D. RANN: You made a point—

Mr HAMILTON-SMITH: You're just so busy talking about the past. You have been the government and the Premier for seven years. These are the results you have. Stop blaming everybody else.

The Hon. M.D. RANN: I will answer the question. You would have known if you had read your speech in response to the Mullighan report before you delivered it that there was neglect by every previous government. Previous governments including one that you are part of—

Mr Hamilton-Smith interjecting:

The Hon. M.D. RANN: I am going to finish this; you've had your say. The Mullighan report: a \$190 million response. The Mullighan report lifted the lid on decades of cover-ups by former governments and you know it.

The Hon. J.W. WEATHERILL: Could I also respond to the points that were made about early intervention because I think they are important. I know that the honourable member understands early intervention because of his former career. What he would be saying, if he were not trying to make political points, is that it is complete lunacy to continue to invest resource after resource in the crisis end of the system.

He knows that, because I have heard him say it before. In a different environment, when he is not seeking to make political points, he makes those points and we agree with them. That is why we have sought to make child protection a much broader issue than just what happens in child protection agencies. That has been the burden of our reforms to the child protection act, and it lies at the heart of everything that we have done in government. The council for the care and protection of children is much broader than simply child protection. The inter-ministerial committee chaired by minister Lomax-Smith understands that a child's development is much more than just the tertiary-end response when you whip children away to keep them safe when they are in very unsafe circumstances. It is about everything from the day they are born, and indeed before, working with parents. It is about our health systems and our parenting system.

We have pioneered what is regarded internationally as best practice in relation to our universal home visiting system. We have a follow-up system for families in strife where there needs to be additional help under our sustained home visiting system. For those families we are very worried about but where we still think the family can be strengthened, we have the 'stronger family, safer baby' service, which seeks to keep a very clear and careful eye on that family. We also know that when children are getting to preschool age, the early parenting centres are critically important, so we have announced 20 and there will be further children's centres in each of our primary schools.

Those are the measures which are going to address the critical issues of parenting. All of our adult services—whether they are about drug and alcohol abuse, police services, housing services or services concerning mental health—now have a child focus. They are all engaged in our Keeping Them Safe reform agenda. That is the point that I have been seeking to make. Just pointing the finger at one agency and asking what it has done is not the approach that we are taking. We are not going to go down the path of the other states where they have tens of thousands of notifications but a completely clogged child protection system where one cannot

determine the difference between a seriously at risk child and a child that simply has parenting issues that are best dealt with in a different way.

I am absolutely committed not to change direction on that. There is nothing that will get me to change direction on that because I know that that is how we are going to better keep children safe. These events that are thrown up in shock and horror are events that nobody wants to read about in their paper because they do not want to have their Weet-Bix and look at these stories in the paper; they want somebody to make it go away. The reality is that there are no quick solutions to this; it is about working with families to strengthen them. Questions of intergenerational poverty are difficult long-term questions, and I am not going to come in here saying that I can solve them overnight, but I do know that this government is doing more than any government that has come before it to grapple with these questions, starting at the very first days of life.

Mr GRIFFITHS: The opposition is interested in accountability in many areas of the budget. I refer to Budget Paper 3, page 2.35, table 2.16: public sector employment numbers. That shows that 81,775 full-time equivalents will be the total Public Service employees as at 30 June 2008. When we compare that figure to the estimate that was shown in last year's budget papers as at 30 June 2008, it showed 79,784 people. Through you, Madam Chair, to the Premier or the minister, can you please confirm what this means and has there been a blow-out of 1,991 full-time equivalents from last year's budget to this year's?

The Hon. M.D. RANN: I have just answered that question. There has been an increase and it is in the area which someone who needs anger management was just banging their fist about. The fact is that the majority of increases in the numbers of employees since 2002 have occurred in the major portfolio areas of health and community services (7,841 persons) and in education and TAFE (1,357 persons). We do not apologise for hiring the 699 extra doctors for our health system—699 more doctors than were employed when the former government was in power. We have 2,400 more nurses in our hospitals than when the former government was in power.

Mr Griffiths interjecting:

The Hon. M.D. RANN: No, you asked the question and I am going to answer it. I do not apologise for the fact that we have record numbers of doctors, nurses and police, and also record numbers of child protection officers and social workers. All of those areas see record numbers under this government. We do not apologise for those increases. The fact that we now have record numbers of police in this state is, I think, a good thing.

Mr GRIFFITHS: A point of order, Madam Chair: my question was very specific to one financial year only. The Premier has already provided the information in comparison to 2002 and the period going forward. I want to know about the 1,991 difference between last year's budget estimates as at 30 June 2008 and what this year's budget shows.

The Hon. J.W. WEATHERILL: I might be able to supplement some of that information. The detailed questions about numbers will be taken by the Treasurer—that is something that he is responsible for in relation to government numbers in the budget. I want to take up the point about child protection workers, because we have heard a lot about child protection and the so-called lack of response. As to child protection worker numbers—and this is within the South Australian public sector and, beyond that, in the non-government sector there have been extraordinary increases as well—we have had a 35 per cent increase of child protection workers working in the South Australian government. Those opposite seek to make points about the resources going into child protection. We have doubled the resources going into child protection and we have a 35 per cent increase in the number of state public sector workers working in our child protection system in South Australia.

Mr GRIFFITHS: I am rather frustrated by the answer because it is still not giving me the information I am after and, given that the minister is responsible for the public sector, he should be able to provide me with the details on the 1,991. I refer to Budget Paper 3 at page 2.34. From the 2007-08 budget that was presented to us a year ago through to the 2008-09 budget, employee expenses in the budget had been revised up by a total of \$1 billion between 2007-08 through to the 2010-11 period. Can the minister or the Premier provide me as to why there has been such a significant revision in the space of only 12 months—\$1 billion over that three-year period?

The Hon. J.W. WEATHERILL: That question is clearly the responsibility of the Treasurer.

Mr GRIFFITHS: Again, the minister has responsibility for the public sector. He should have some involvement in the costs of employing the public sector.

The Hon. J.W. WEATHERILL: The Treasurer is the finance minister in relation to the overall costs of the budget. It is absolutely the case that he is the appropriate minister to respond to that question.

Mr GRIFFITHS: I will try a third time, and I am sure that the minister does have responsibility for this one. I refer to Budget Paper 4, Volume 1, page 1.7, Targets/Highlights. Can the minister advise the status of the Public Sector Bill 2007? A stated target in last year's budget was:

To revise and finalise a draft public sector bill 2007 and support the introduction of a new bill into parliament, and the development of subordinate legislation.

The Hon. J.W. WEATHERILL: That is, of course, my responsibility. I am pleased to say that that bill has been completed. We are now in the process of taking it through cabinet for final approval. Consultation on the bill has been very thorough. It has gone through that period from 30 November 2007. The bill and its explanatory papers have been available on the DPC website and over 9,000 hits have occurred on that website. Sixteen briefing sessions have been held for public servants and an estimated 600 people have attended those sessions. We have received 77 submissions from a range of stakeholders, although I do not think we have received anything from the Liberal Party, but it is never too late. A review of the Public Sector Management Act and—

Mr Griffiths interjecting:

The Hon. J.W. WEATHERILL: Well, you might like to shape the bill. You can always tell us what you think, rather than sit back and criticise once it arrives.

The Hon. M.D. Rann interjecting:

The Hon. J.W. WEATHERILL: That's right. You are good at telling us what is wrong; maybe you might like to explain to us how things might be improved. Taking into account consultation with stakeholders, we aim to introduce it into parliament in the second half of 2008, so it is very much around the corner.

Mr PICCOLO: In relation to some of the earlier comments made by the minister assisting in terms of the performance and the future of the Public Service, I refer to Budget Paper 4, Volume 1, pages 1.15 and 1.16, Public Sector Workforce Management. Can the minister advise the committee and provide information on the work of the Youth A-Teams created by the Government Reform Commission and the Office for Youth and how they will assist with retaining and recruiting generation X and Y?

The Hon. J.W. WEATHERILL: I thank the honourable member for his question. Being a very youthful member himself, I am sure he has a real interest in this topic.

An honourable member interjecting:

The Hon. J.W. WEATHERILL: He looks younger, though. The Youth A-Teams was an outstanding collaboration, which gave the government a unique insight into how it could improve recruitment and retention of young people. The future of the South Australian public sector, and the state itself, is its young people. Faced with an ageing workforce and a higher than average exit rate among 15 to 35 year olds, the need to recruit and retain young people has become critical.

In response to this challenge, the Government Reform Commission and the Office for Youth combined forces and turned to the obvious source for advice—young public sector employees. Using the Office for Youth Policy Action Team model, three Policy Action Teams (A-Teams) were created to find out how the government of South Australia could become a preferred employer for young people. More than 30 young people from 12 government agencies were involved in three teams, each of which looked at a different issue for getting and keeping young staff. A-Team 1 asked how the government could remain competitive in keeping young people, A-Team 2 examined HR processes and A-Team 3 looked at best practice in relation to attraction and retention.

The report produced by the teams—which has been made public—provided a range of recommendations, including ideas for improving and promoting flexible work practices and modernising recruitment methods. Cabinet approved a series of measures: expressions of interest for temporary positions to be advertised across government, rather than only within the originating department; the development of a welcome brochure promoting the benefits of employment with the public sector; a mandated offer of exit reviews to young people leaving the public sector, to find out why; the development of an ambassador program with a focus on young advocates visiting schools; and the Premier writing to all new employees welcoming them to the public sector. The

GRC turned recommendations by the A-teams into action. The important thing now is for us to maintain that momentum.

Mr PICCOLO: On the Government Reform Commission, I refer to Budget Paper 4, Volume 1, pages 1.15 and 1.16. Earlier, the minister made reference to some of the work of the reform commission. Can the minister provide more information on how successful the Government Reform Commission was in achieving its objectives?

The Hon. J.W. WEATHERILL: I am pleased to report that the Government Reform Commission has been a success. Under Wayne Goss's leadership, significant reform occurred in streamlining decision making, implementing flexible work practices and improving service to the community. This was not just another exercise ending in a report full of recommendations which then sat on a shelf. The commission operated on the basis of developing policy and making recommendations to government as it went along. Once accepted, its recommendations were then implemented by the most appropriate agency.

A small office supported the Government Reform Commission, and this office drew upon people and resources from across the public sector. Agencies paid for their own staff while seconded to the commission, thus minimising overall costs. The commission completed its work on schedule and within budget. There were many significant achievements during its 18-month term.

Cabinet accepted the Government Reform Commission's recommendation of a major overhaul of the cabinet office to create a much stronger and more proactive policy capacity at the centre of government. This was to result in better resolution of whole-of-government issues and a stronger South Australian presence on the national stage. It could not have been better timed given the opportunities for involvement being created by the Rudd government.

The GRC successfully recommended the creation of a South Australian Executive Service to create a cadre of future leaders capable of driving the realisation of the ambitious targets in South Australia's Strategic Plan. Cabinet also approved the creation of a set of Premier's awards to recognise excellence in the public sector. These awards are based on the objectives of the Strategic Plan and now form part of an annual Public Sector Week.

The GRC achieved the long sought objective of an agreed set of uniform regional boundaries so that public sector portfolios could plan, monitor and deliver services on a common geographic base. This could prove to be one of the most enduring and important reforms of the GRC. For too long, many people have complained that overlapping boundaries within different government agencies have been the source of some concern. There are different people at the table depending on which issues are to be dealt with, and one gets lost in the various boundaries. There was no good reason for the different boundaries. Everyone had a good reason for why they had different boundaries but, collectively, we could not see why we could not make them into a common geographic base. That has been a very important reform, and we are beginning to see some of the benefits of people working more closely together.

The customer service improvement was a key focus of the plan and the GRC successfully lobbied for a new strategic plan target to measure and improve customer satisfaction. As well as we think we are going, ultimately, if we are not asking the citizens how they are experiencing our services, then we are clearly going to miss the point. A significant part of the GRC work program is built around how the public sector can continue to recruit and retain the best possible people. Particular areas of focus include recruitment of graduates and young people and retention of the skills and knowledge of more experienced workers. As a result of the work of the GRC the public sector is far better placed to ensure that we reap the benefits of our economic prosperity.

Mr PICCOLO: The minister has just provided some detail about the new regions as a way of improving the delivery of government services. I refer the minister to Budget Paper 4, Volume 1, pages 1.15 to 1.16. What difference has the adoption of uniform government regions made, how will the 12 new South Australian government regions improve services in regions, and how will they assist in meeting their South Australian Strategic Plan targets?

The Hon. J.W. WEATHERILL: As I mentioned before, the idea behind the South Australian regions is to better and more efficiently plan and better connect services to the community. With all agencies dealing with the same set of regions, there is a better understanding of community needs. Moreover, regional organisations, such as regional development boards and local councils, can be clearer about what state government is doing in each region. Agencies have more scope to piggyback on each other's plans and services to collaborate and share resources. Potentially this could also have savings for government.

The uniform government regions provide the framework for regionalising the South Australian Strategic Plan. We know that while we have these targets for the whole of the state they play out in different ways in different parts of the state. Being able to analyse a place is very important because different solutions can grow up locally. Already in the Limestone Coast region we have developed its own regional version of the plan and four others are well down that path. That is really assisting with community leaders in owning the plan rather than seeing it as a very high level document taking it down to the level of the community. Community leaders identify priority targets within the whole of the state plan and then agree their own regional versions of those targets to work forward. This is a unique and innovative approach to community engagement and empowerment.

The GRC recommended the adoption of the 12 regions and cabinet agreed to this back in December. Planning SA is responsible for coordinating the roll-out of those regions reporting to cabinet every six months on progress. Agencies are endeavouring to implement the uniform regions within existing budgets and obviously seeking to gather the productivity gains associated with collaboration. All government agencies are making changes to their operations, services and reporting arrangements to align with the 12 agreed regions. Implementation is on track for completion by December 2008. SAPOL implementation is extended to July 2009. The next progress report is due in July 2008.

Mr HAMILTON-SMITH: I refer again to the table on page 2.35 of Budget Paper 3. It is table 2.16 about public sector numbers. If I have understood the answers to the earlier questions, the minister and the Premier either know the answers and will not tell the committee, hoping the Treasurer will tell the committee, or they do not know the answers. My question is this: the Commissioner for Public Employment, as I understand it, reports to this minister, not the Treasurer; is that correct? If that is the case, why do the Commissioner for Public Employment's figures show a blow-out of 17,000 in the Public Service when the budget papers show a blow-out which looks like it is now 14,842, but the Treasurer is arguing that the size of the blow-out is 9,287?

Someone is right and someone is wrong. This is a cover-up. We are experiencing obfuscation. Either the Premier and the minister know the answer and, if they do, I ask them to tell the parliament what it is. What is the extent of the blow-out? Is the Commissioner for Public Employment wrong or right; is the budget paper wrong or right; or is the marked down figure we are likely to get from the Treasurer this afternoon, the smoke and mirrors, going to be right? Do they know the answer and they will not tell us, or do they not know? Does the Premier not know how many people he has on the payroll?

The Hon. M.D. RANN: I thought I did this before and there seems to be an element of—

The CHAIR: Leader, can you provide a copy of the table to which you refer?

Mr HAMILTON-SMITH: If I have to, I will ask my staff to bring down a copy of the Commissioner for Public Employment 2007 South Australian Public Sector Workforce Information June 2007 Summary Report, and a notebook and pen for the Premier and the minister, as well as any other publications from their own department and government they need in order to enable them to answer the questions.

The CHAIR: Order! The leader knows full well that this is not about an examination of annual reports. If the leader wishes to ask a question based on statistics, the leader should provide them.

Mr HAMILTON-SMITH: Madam Chair, if I may, it is about the budget being out of step with what government is saying the size of the blow-out is. So it is relevant.

The CHAIR: If you want an answer, provide the details. Premier.

The Hon. M.D. RANN: I have already told you I am not going to apologise for more doctors, nurses, police and teachers. I will go through it again very slowly. Over the past six years—this is June 2002 to June 2007—the South Australian public sector workforce has remained relatively constant at between 12.1 and 12.5 per cent of the total South Australian workforce. This represents a significant drop from levels of some 20 years ago when the public sector was 17.8 per cent of the total SA workforce; it is now down around 12.5 per cent.

The number of persons, because some are part-time as distinct from full time equivalents, within the South Australian public sector has changed over the last six years. As at June 2002, there were 83,821 persons. As at June 2007, there were 94,780. The majority of the increase in numbers of employees—this is *deja vu* time—since 2002 has occurred in the major portfolio areas

of health and community services. So, 72 per cent, or 7,841 of those persons, were in health and community services—more doctors, more nurses, more child protection officers.

The other area of increase was education and TAFE—1,357 persons. Health and community services, includes occupations such as medical officers, nurses and all other health professionals—doctors and nurses. I make this clear: doctors and nurses—699 extra doctors; over 2,400 extra nurses. You should welcome that increase compared to when you were in government. Extra child protection officers (we have just heard 35 per cent more)—you should welcome that, because this morning, when you did not know, you were calling for it—extra laboratory technicians, occupational therapists, speech pathologists, social workers and medical imaging staff.

The public sector workforce information report at June each year is designed to provide detail on workforce characteristics of the South Australian public sector and collects the actual number of full-time equivalent employees for the purposes of human resource policy. It does not collect budgeted salaries and wages information at the general government sector level, whereas figures published in the Department of Treasury and Finance budget papers—and by the way that is what we are doing today—provide estimated employment figures for individual agencies, the general government sector and the total South Australian public sector as at June 2007.

Let me repeat this to make it very clear: we do not apologise for the fact that we are employing more doctors, more nurses, more police and more teachers. We do not apologise for the fact that 60 per cent more is being spent on every child in our schools compared to when you were in cabinet. We do not apologise for the fact that we are having more effort in health, hospitals, child protection, policing and our schools.

Mr GRIFFITHS: I refer the minister to Budget Paper 4, Volume 1, page 1.32. One of the really concerning pieces of information coming from the WorkCover bill debate was that there was also a \$400 million liability for public sector employees for workers compensation. I note in reading the targets for 2008-09 that there is an intention to reduce the government's outstanding workers compensation claims liability, and it is quite detailed how that is to occur. Will the minister provide me with information on what the intentions are in the coming financial year?

The Hon. J.W. WEATHERILL: This matter should be referred to the Minister for Industrial Relations.

Mr Hamilton-Smith interjecting:

The Hon. J.W. WEATHERILL: I am sorry but the public sector workforce division comes under his area of responsibility. I cannot help that, that is just the way it is.

Mr Hamilton-Smith interjecting:

The Hon. J.W. WEATHERILL: No, you have to learn to ask the correct minister the correct questions: it is as simple as that.

Mr GRIFFITHS: This is clearly defined in this part of the budget paper as 'public sector workforce'. I am here to question the minister on public sector workforce issues.

The Hon. J.W. WEATHERILL: There is a minister who has a certain amount of time allocated to them. I am sure he would be pleased to answer your questions in that regard. In fact, it is coming up soon.

The Hon. M.D. RANN: It is on Friday. I should point out that—and maybe this needs to be made clear—we do not present you with a fait accompli of who asks what and where. This is negotiated with the opposition. If you had problems about the industrial relations minister answering questions on industrial relations, why did you agree to it?

The CHAIR: Member for Goyder, we are dealing with management, workforce management, not workforce issues and conditions. If you had simply said 'public sector management', that might have helped you more, but that is the issue.

Mr GRIFFITHS: Madam Chair, surely the injury rate amongst public sector employees is something over which the minister has control.

The CHAIR: Member for Goyder, we must accept that ministers know what duties have been assigned to them, and it has certainly been the Minister for Industrial Relations as long as I have been here.

Mr GRIFFITHS: I refer to Budget Paper 3, page 2.34. In that section we can read that full-time equivalent employee number estimates for general government sector agencies are based

upon FTE caps applied to them. Further, agencies are required to explain any significant variations from their FTE cap. What constitutes a significant variation from an FTE cap?

The Hon. J.W. WEATHERILL: Questions about the FTE caps are matters for the Treasurer, and we have already answered that question.

The Hon. M.D. RANN: I have just gone through it all. I am happy to read it out for a third time. You have to listen to the answer when you ask a question.

Mr GRIFFITHS: I am.

The Hon. M.D. RANN: I was trained as a journalist. I was told that, when you ask a question, you listen to the answer. We have just given you that.

Mr HAMILTON-SMITH: When you ask a question, it is good to get the right answer, as well, and an accurate answer.

The CHAIR: The matters referred to are under Treasury and Finance this afternoon, 3.45 to 6.30pm.

Mr GRIFFITHS: All the areas that we have tried to identify, we believe, are questions appropriate to the minister. We are getting no answers at all.

The CHAIR: That is because they are not his responsibility. We must accept that the ministers are aware of what has been assigned to them under their ministerial responsibility. Nothing I am hearing is any different from last year. Are there any questions relating to, for instance, the public sector performance commission?

Mr HAMILTON-SMITH: It is obvious that we will not get any answers out of the minister relating to public sector workforce management. We have asked several. It is like Sir Humphrey: it has all been referred to someone else. I do not know what this minister does. I would like to give the Premier and the minister a report from his own department, the South Australian public sector workforce information—

The CHAIR: Order!

Mr HAMILTON-SMITH: I was asked to provide this.

The CHAIR: Order! There is no provision for tabling. The provision for the circulation of information is the provision of information to the chair, which the chair can circulate. Just so that we do not have this problem all the time, if you are asking a question based on figures, then it is orderly to provide those figures at the time through that mechanism.

Mr HAMILTON-SMITH: The thrust of it is: does the minister know what the Office of the Commissioner for Public Employment is saying about workforce numbers? They do not seem to agree.

The CHAIR: There is a need for the minister answering the question to be able to see the data upon which they are commenting.

The Hon. M.D. RANN: Can I say again that we have just read out the figures. I can explain this. There is total number of persons and there is also full-time equivalents. The reason that there is a difference is that some people are part-time.

The CHAIR: The time for examination of this line having expired, I declare the examination of the proposed payment to the Office of Public Sector Employment completed.

[Sitting suspended from 13:00 to 14:00]

AUDITOR-GENERAL'S DEPARTMENT, \$11,569,000

Departmental Advisers:

Mr S. O'Neill, Auditor-General, Auditor-General's Department.

Mr I. McGlen, Director, Audits (Policy, Planning and Research), Auditor-General's Department.

Ms M. Stint, Manager, Finance, Auditor-General's Department.

The CHAIR: I do not need to read the opening statement. The advisers are aware that questions go through the Premier. I declare the proposed payments open for examination and refer members to the Budget Statement, Appendix C. Premier, do you wish to make an opening statement?

The Hon. M.D. RANN: No, ma'am.

The CHAIR: Leader, do you wish to make an opening statement?

Mr HAMILTON-SMITH: I want to put on the record the opposition's appreciation of the work done by the Auditor-General. We have enjoyed the reports we have received. I think they have done a lot for public openness and accountability. This is a budget line of money well spent. Some of the special reports produced over time have been of great interest, and we have some questions about those reports going back a few years.

I direct this question to the Premier and I will understand if there are issues with the response. The former auditor-general expressed the view before he left that he felt we needed an independent commission against corruption. He made the point that he felt that the good work done by the office of the Auditor-General and the scope, role and charter of the Auditor-General's office was such that in his view it did not extend to those issues that might fall within the ambit of an ICAC.

Premier, what advice have you received from the office of the Auditor-General on that issue? Is it still your view that the office of the Auditor-General alone is enough to satisfy the anti-corruption needs of the state?

The Hon. M.D. RANN: I appreciate the question and the sincerity with which it is asked, even though there is no budget line in the estimates. My view remains the same. We have a matrix of bodies in South Australia, including the Police Anti-Corruption Branch, the Police Complaints Authority, the Auditor-General (who has the powers of a royal commission, if necessary), the Ombudsman and SAPOL. We have a range of people in place who are the guardians of the public interest.

The Auditor-General is entirely independent of government, as are the Ombudsman, the Police Commissioner, the Police Anti-Corruption Branch and the Police Complaints Authority. It is my view that to have another layer on top of that—and I am mindful of recent events concerning the watchdogs interstate—is not worth the money. I think we are very well served. Mr O'Neill was Deputy Auditor-General for many years. He is held in extraordinary esteem by all sides of politics and across the public sector. Certainly, I think he has fulfilled everyone's expectations as Auditor-General, as being a straight shooter.

My approach to the office of the Auditor-General is quite different from what happened in the past where we saw a government trying to frustrate the Auditor-General and even trying to prevent him from tabling a report, so much so that he had to threaten to come to parliament to do it himself. That does not need to happen these days because times have changed—so have standards.

Mr O'NEILL: The matter of an ICAC was the subject of comment by the former auditor-general on retirement. I have a specific role and responsibility as the occupant of the position of Auditor-General. These responsibilities are clearly laid out in the Public Finance and Audit Act. As to whether the powers of the Auditor-General should be extended and whether there should be the establishment of an ICAC entity, I think, is a matter for government and for the parliament. I wish to say no more.

Mr GRIFFITHS: I refer to Budget Paper 4, Volume 3, page 13.1, and specifically the targets for 2008-09. From time to time there is a need for the Auditor-General's office to undertake specific investigations and prepare special reports. Will the Premier confirm whether any investigations and reports are currently being undertaken, and, if so, what are they based on and when would it be expected they would be tabled in the house?

The Hon. M.D. RANN: I will ask the Auditor-General to respond.

Mr O'NEILL: Generally, it is the case that investigations may come to our office through section 32 of the Public Finance and Audit Act. The budget for 2008-09 does not include any budgeted funding for any investigations. No investigation has been referred to this office through the Treasurer under section 32 of the act. Notwithstanding our normal financial compliance audits and special review audits, we are undertaking some specific focused reviews. Outcome of those

reviews would either be addressed in commentary in the forthcoming annual report of the Auditor-General to parliament in early October or could be the subject of smaller periodic reports to parliament over the coming year.

You will see in the estimates document that I referred to the matter of the development of a corporate plan. We will look to commence developing a three-year corporate plan around October/November this year. I am looking forward to enhancing our reporting to parliament. What I mean by that is that, generally, we do present a fairly comprehensive annual report to parliament, but I am looking to the office possibly presenting one or two specific focused reports on matters to the parliament during the year. Currently, in the 2008-09 budget papers, there is no provision for investigation funding as no investigations have been referred to us.

Mr GRIFFITHS: Madam Chair, may I seek clarification of one point in that answer? Is this the first corporate plan or has a corporate plan been in place already?

Mr O'NEILL: No, we commenced three-year corporate plan development processes some 20 years ago.

Mr PEDERICK: I refer to Budget Paper 4, Volume 3, page 13.1 under 'Targets'. In which week is the next Auditor-General's Report expected to be tabled in the parliament?

The Hon. M.D. RANN: I know that, having been in parliament for nearly 23 years and in this building for much longer, traditionally it is around early October, but I will ask the Auditor-General to respond.

Mr O'NEILL: We are required under Public Finance and Audit Act regulations to have finalised the preparation of our annual report by 30 September each year for presentation to parliament generally in the first sitting week following 30 September. That would be possibly in the first or second week.

Mr GRIFFITHS: I refer to Budget Paper 4, Volume 3, page 13.1 and the highlights for the 2007-08 financial year. Will the Premier provide details of the results of the evaluation of the audit methodology and associated software tools developed by the Victorian and Queensland audit offices? How do they compare with South Australia?

The Hon. M.D. RANN: Thank you for that question. I will ask the Auditor-General, Mr O'Neill, to respond.

Mr O'NEILL: The budget papers for 2008-09 referred to under the capital investments summary make provision of \$180,000 for replacement audit methodology. I will give some background. We apply a major accounting firm audit software methodology, and that was implemented around the year 2000. The licence to apply that methodology was to run out in about 2006-07, but we have sought an extension to continue to apply that methodology for 2007-08 and 2008-09. We still believe it is a satisfactory methodology. However, there is no safety net with respect to the continual use of that methodology because the major accounting firm is looking at replacing that methodology.

We had no guarantee that the new methodology would be forthcoming or provided to our office. Some six months ago, we commenced looking at what methodologies were available and being used by private accounting firms, and, indeed, what new methodologies may be forthcoming from private accounting firms. In addition to that, we have looked at interstate auditors-general jurisdictions with respect to the use of their methodology, to which you have referred. That is a methodology that was developed between Queensland and the Victorian audit offices, I think, some three years ago. It is a fairly costly development, but it is being applied by the Queensland office and the Victorian office, and the Tasmanian audit office acquired the methodology some one or two years ago.

We are doing a bit of a pilot test of that methodology on one of our small entities this financial year. It has reasonable prospects in terms of a methodology that we think meets best practice standards but also can be supplemented to take account of the characteristics of public sector auditing. But we are looking at a detailed procurement process and a major evaluation of the methodologies over the forthcoming 12 or 15 months with a view to two outcomes: full training and development of our 90 or so field audit staff and the implementation of the methodology from about 2009-10.

Mr GRIFFITHS: Again referring to the same budget area, page 13.1, through the Premier, I think Mr O'Neill referred to it slightly in one of his earlier answers. The specific question is: have

any issues of importance and interest within the public sector been identified for review in the 2008-09 financial year?

Mr O'NEILL: There are many challenges facing the Auditor-General's officers—indeed, there are challenges facing the government in South Australia, and you would be aware of those. The parliament has just recently passed legislation regarding WorkCover, and the WorkCover governance act provides for the Auditor-General to audit WorkCover. That is a big challenge for the department from next year onwards. There are challenges associated with shared services, so we are looking at aspects of that; there have been challenges over the past two or three years with respect to the government's implementation of the Future ICT service arrangements, and we are looking at aspects of that; and there are major infrastructure renewal and projects, both this year and going forward, particularly with respect to PPPs, and we have commenced certain work to review aspects of that program.

There are a couple of other areas of major expenditure categories, grant outlays, of government. So there is a number of areas and we are undertaking some specific focused reviews of some aspects of those areas, and I hope we will be in a position to report on some of those aspects in the forthcoming annual report, and it may be the case that there could be a special focus report on some of those matters later on.

Mr GRIFFITHS: Certainly I respect that there is an enormous number of challenges in ICT and shared services, and the PPPs, and the accounting requirements for each of those. Is my assumption therefore correct that, if you are saying there are challenges for the Auditor-General's Department to ensure that they are all done as they should be, this will require an increase in the resources available to your department to undertake that, or is there going to be greater use of external auditing consultants to do this?

Mr O'NEILL: There could be a bit of both. For instance, for the current budget, as approved, the figures are generally locked down around about March or April 2008, yet the parliament has passed legislation with respect to WorkCover. What we normally do in this case is undertake preliminary work with respect to what we think are important audit requirements for WorkCover. I believe that parliament expects that there would be heavy involvement of the Auditor-General and his staff in the audit of WorkCover but, indeed, certain areas with respect to WorkCover, like some areas of some other government agencies that we audit, require certain expertise that we may not possess in-house.

For instance, there will be a need to look at the valuation base and the premises and the assumptions underpinning the estimated liabilities, and I might require some assistance and expert advice with respect to that matter. So what I will be looking at over the next one to two months is familiarising myself and undertaking certain discussions with WorkCover and seeking to obtain certain information that places me in a position to understand fully what I think are the audit requirements for 2008-09 and going forward. If that might require relating with the Department of Treasury and Finance and the government with respect to some additional assistance—one would understand that we cost recover audit services so, if it would be a case of just supplementary funding and timing in terms of charging and recovery—then I will do so.

I will place on record here that, having been a member of the audit office for 35 years, I know with governments of both political persuasions, when the Auditor-General has come to the government with a reasoned and justified request for funds, that has always been there, and that has been the case over my 35 years with respect to governments of both political persuasions.

Mr HAMILTON-SMITH: If I could ask a question through the Premier to the Auditor-General in regard to how audit will deal with PPPs. We have PPPs planned for the prisons, schools and, of course, the proposed new hospital. First, I would seek the Auditor-General's comment on how those PPPs will be treated by audit, particularly the debt associated with those PPPs and the actual agreements themselves for full disclosure. In other words, will they be fully examined by the Auditor-General and will they be reported to the parliament?

Secondly, take for example the hospital. I think the payments are planned to go on until 2046 and there will be cash outflows each year to pay for the PPP for the build and I think a separate PPP for the operation of the hospital. How will those outgoings be capitalised or dealt with by audit? Will audit fully reveal and disclose the total outgoing and the total liability so that the parliament can see that information at the time of signing the agreement? How will it work?

Mr O'NEILL: You would be aware, Mr Hamilton-Smith, that PPPs are a financial transaction but they are a significant financial transaction. The second point is that it involves a partnership between an external party and the government with the provision of either

infrastructure, services or both. Thirdly, the nature of a PPP can take on a myriad of characteristics; you have mentioned some.

The longevity of the transaction will traverse a number of government periods. I made mention that we are starting to commence work in looking at PPPs. I will talk about four points and then come back to the specific question that you have raised.

We are aware of the schools, the correctional services facilities, the proposed new hospital. We have commenced some work in looking at the policy and the process framework of this government, the Treasury and Finance policy and process framework and having a look at the frameworks of interstate jurisdictions such as, for example, the Victorian partnerships arrangements and policy framework.

We are also having a look at the public-private initiative framework of the UK which is regarded as a leader in this area. We have looked at, and are looking at, the governance arrangements that cover these PPP projects, the relationship between cabinet ministers, committees that have been established, the role of the State Procurement Board.

We are having a look at aspects of business case development and the authentication process that has worked with those business cases. We are giving some thought and consideration to the use of the public sector comparator in the context of those business cases. Those are four of a number of things that we are looking into at the moment in terms of PPPs.

With respect to the other matter of financial reporting, the financial reporting requirements are dictated sometimes (and in this case) of accounting standards, and my understanding is that the government, through advice from the Department of Treasury and Finance, will apply a financial reporting framework that accords with prevailing accounting standards which is acceptable to audit requirements.

As to whether a PPP in its entirety is, for example, balance-sheet reported, there will be a need to understand the exact specific characteristics of that PPP arrangement, and I expect that I and my senior officers will be relating to the Department of Treasury and Finance with respect to those different arrangements and providing views about how those arrangements will be reported consistent with the accounting standards and, indeed, consistent with what we would regard the Department of Treasury and Finance would apply in terms of prevailing accounting standards.

Mr GRIFFITHS: Following on from that answer provided by Mr O'Neill, I will use one example first when setting the scene for my question: if I can use a public-private partnership model such as the police stations and the court houses that have been built under a PPP model and the government is paying a cost associated with that over whatever period of time, my assumption would be that the Auditor-General's office would have had to determine that the government actually gets the greatest possible bang for its buck in using the PPP method in constructing and having operational use of those facilities.

My concern is that I know that there is a unit within the Department of Treasury and Finance whose role is to ensure that comparative calculations are undertaken between PPP models and government fund-and-build or government borrow-and-build of infrastructure. My recollection is—and I will correct this if I am wrong—that when we were provided with a briefing by the Under Treasurer, I asked if that comparison had been done for the proposed Marjorie Jackson-Nelson Hospital, and I am quite confident that his comment to me was that it had not.

That concerns me when, in relation to a \$1.7 billion project, the government has made an announcement on how it intends to construct that facility but it does not appear as though the comparative cost has actually been determined to see if the PPP model is the most financially advantageous for the state. Is the Premier able to comment on that?

The Hon. M.D. RANN: Do you want me to pass that on to Mr O'Neill?

Mr GRIFFITHS: I would be grateful.

Mr O'NEILL: That is one of the important matters that we are looking into at the moment, and I think it would only be proper that we follow through on our process of review and the yes or no to that could be the subject of reporting to parliament in October.

Mr GRIFFITHS: I hope so because, given that it is the largest infrastructure build that the state has ever seen, it is important that due diligence is undertaken in determining the financial arrangements revolving around this. At the moment, as it stands, I have some grave concerns.

Mr HAMILTON-SMITH: Am I understanding correctly, then, that the Auditor-General's advice has not to this point in time been sought by the government in regard to whether a PPP or a debt-and-build or another model might be better for the taxpayers with these projects and, secondly, that that advice, not having been sought, will not be provided until the report in October? Is that correct?

Mr O'NEILL: No, that would not be correct. Two things: first, the Department of Treasury and Finance policy and process framework requires and emphasises the importance of the public sector comparator. In major projects and significant projects of a PPP nature, ordinarily you would and should undertake a public sector comparator analysis. That is one issue that I am looking at in terms of our review of PPPs. I think it is very important to relate the outcome of that review, as part of my statutory audit process, to the parliament through my report to the parliament.

The Hon. M.D. RANN: On behalf of everyone, I thank the Auditor-General and his extremely hard-working team for all the work which they have done in the past and which they continue to do with great integrity and the utmost professionalism.

The CHAIR: The time allowed for examination of these payments having expired, I declare the examination of the proposed payments to the Auditor-General's Department completed.

Membership:

Ms Ciccarello substituted for Mrs Geraghty.

Mrs Redmond substituted for Mr Hamilton-Smith.

ARTS SA, \$111,724,000

Witness:

The Hon. J.D. Hill, Minister Assisting the Premier in the Arts.

Departmental Adviser:

Mr G. Mackie, Executive Director, Arts SA.

The CHAIR: I declare the proposed payments open for examination and refer members to the Portfolio Statements, Volume 1, part 1. Premier, please introduce your advisers.

The Hon. M.D. RANN: The Minister Assisting the Premier in the Arts is on my far left. Unlike other minister assisting arrangements, in a sense, Mr Hill is my co-minister because a whole range of agencies have direct reporting lines to him which is an unusual arrangement for a minister assisting. In a sense, we are co-ministers for the arts. To my immediate left is Mr Greg Mackie who is the Executive Director of Arts SA and who is doing an outstanding job.

The CHAIR: Premier, do you wish to make an opening statement?

The Hon. M.D. RANN: I do. Arts is very important to us. As a state, it is part of how we define ourselves. Everyone knows that creativity is at the heart of innovation. We are known as the festival state and we are very proud of our national leadership in the arts. In 2008-09, Arts SA's total budget funding, including capital, is \$112.6 million. This represents a 1.92 per cent increase over total budget funding in 2007-08. During this time we have seen record-breaking attendances at the 2008 Festival of Arts, Adelaide Fringe and WOMADelaide. We are on track to increasing audiences at selected arts activities by 40 per cent by 2014—one of the targets of South Australia's Strategic Plan.

When I made the decision for WOMADelaide to become an annual event, rather than its being held every two years, people said that it would kill its audience—in fact, its audience has massively increased. When we made the decision after a recommendation from minister Hill for Adelaide Fringe to become a yearly event, similarly, critics said that it would not work and that you had to have a fringe to a festival, yet what we have seen is fantastic record-breaking attendances for the Fringe as well.

A number of highlights in the budget include the establishment of the Adelaide Film and Screen Hub at Glenside, which signals a new era for filmmaking in South Australia. We have such

a great history with film going back to *Breaker Morant*, *Storm Boy* and *Picnic at Hanging Rock* through to *Tracker*, *Rabbit Proof Fence* and wonderful films like *Ten Canoes* and *Look Both Ways* and, of course, the magnificently acted *The Honourable Wally Norman* and *Dr Plonk*. Basically, we needed to invest in new facilities. The current facilities at Hendon are just out of date, and if we perpetuated with them we would see a decline in usage. The message from the film industry was that they needed state-of-the-art 21st century facilities.

The hub will not only be the new home for the SA Film Corporation's administration, but also it will provide custom-built production and post-production facilities. This collocation will offer opportunities for collaboration on exciting new ventures. The main heritage-listed building will be upgraded and other buildings will be adapted for offices and post-production suites. We are going to ask the Deputy Premier and Treasurer, the Hon. Kevin Foley, to give it his support and open the foley editing suite. Work is expected to start on the site in the first half of 2009 and to be completed by the end of 2010. Anyone who is suggesting that there will be an opening in the middle of the election campaign is sadly wrong.

We have also announced the South Australian Film Lab, so we have the screen hub at \$43 million and the screen lab is designed to create greater employment opportunities and sustainable career pathways for South Australia's newest crop of talented film practitioners. In 2008-09, \$567,000 will be provided to the South Australian Film Corporation for the program as part of a \$4.16 million funding commitment over the next four years.

A total amount of \$1.6 million over the next four years has also been allocated in 2008 to support the following major events: the Adelaide Cabaret Festival, the Australian International Documentary Conference, and the National Screenwriters Conference. The Adelaide Cabaret Festival receives an extra \$200,000 per annum, bringing its annual government support to \$700,000. How do we on this day thank Diana Laidlaw for this initiative—and I know both sides of politics believe in being bipartisan on these matters.

Adelaide has won a bid to host the Annual Australian International Documentary Conference from 2010 to 2012 and has secured the biennial National Screenwriters Conference in 2009 and 2011. The government will allocate \$200,000 to the screenwriters conference and an additional \$597,000 to the documentary conference over the next four years. The South Australian government will invest an additional \$1.525 million over four years in the State Opera and the State Theatre Company. It will commence with \$119,000 for the State Opera and \$256,000 for the State Theatre Company.

In 2008, the government will provide \$1.4 million to enable the Adelaide Symphony Orchestra to maintain its ensemble at the current site. In addition, \$400,000 will be contributed to the ASO's fundraising campaign to secure a new acoustic sound shell for the Adelaide Festival Theatre stage. A special grant of \$280,000 was provided to the Australian Dance Theatre in June 2007 to strengthen the company's financial position by clearing a balance sheet deficit position. There was also a contribution towards the cost of an organisational review. Leading arts consultant, Mary Valentine, undertook this review, which was completed last December. The review recommended a new business model designed to double the company's activity in South Australia, to build a national touring circuit and to develop new income streams from box-office, private and corporate sources.

In response to the review, the South Australian government is providing a \$500,000 additional funding package to the ABC. The government has also allocated an additional \$800,000 to the State Library for the purchase of new IT infrastructure and to upgrade existing infrastructure. The budget also reflects the government's commitment towards fostering the arts in regional South Australia, another initiative of minister Hill—the Regional Centre of Culture initiative. Port Augusta has a new cultural precinct following a \$1.5 million investment by the state government. Murray Bridge is the 2010 Regional Centre of Culture. The government has committed an additional \$1.8 million to enable a third regional centre of culture for 2012, and people will be submitting for that.

The government will allocate \$1 million for a cultural exchange with Manitoba, Canada, involving our indigenous artists, and will offer international exposure for South Australia's best Aboriginal visual arts, which builds on the government's 2007-08 investment in the Aboriginal and Torres Strait Islander leadership package. So, I think the arts are in very good shape.

I have to pay tribute to Greg Mackie, as well as his entire team at Arts SA. We have some wonderful organisations in this state, such as the Adelaide Film Festival. I should just say that, of thousands of film festivals around the world, the Adelaide Film Festival is one of the few which is

actually involved in every step of the creative process. It does not just screen films: it actually invests in films. Its first couple of feature films won just about everything at the AFI Awards two years running. Also, both films featured at the Cannes Film Festival, so, we are doing particularly well in film. *Variety* magazine in the United States has nominated the Adelaide Film Festival as one of the top 50 festivals in the world. I think it is the only one in Australia to be listed as a 'not to be missed' festival.

The CHAIR: Member for Heysen, do you have a statement?

Mrs REDMOND: No, other than to say that I am a fairly new but enthusiastic shadow minister for the arts. I thank the minister assisting the Premier for his offer of a briefing, which I have not yet had time to take up, but I do intend to. I also make the comment (as I do every year during estimates) that, if we did any cost-benefit analysis of this process, it would fail so miserably that we would be held to ridicule. I want to clarify one other matter before I proceed with questions. I understand that the Premier in earlier sessions has already had the omnibus questions read in. I just want to confirm that the Premier is prepared to accept that reading of the omnibus questions as applying to the arts portfolio.

The Hon. M.D. RANN: I think it was made clear (and the Leader of the Opposition agreed) that questions would be on consultancies of over \$2,000, otherwise, it would consume so much time that people would not be able to be out there producing arts and they would be wasting time on a cost-benefit analysis that would fail the shadow minister's test.

Mrs REDMOND: In that case, I will ask my first question. It relates to Budget Paper 3, page 2.9—and a number of other references in the budget papers—the Adelaide Film and Screen Hub. Premier, when you announced that you were going to keep Glenside as a mental health facility, why did you not tell the public that you were planning to convert the main building to a film and screen hub?

The Hon. M.D. RANN: I think that, if you remember—

Mrs Redmond: I do remember.

The Hon. M.D. RANN: Good. Were you there on the day when I was down there at the press conference?

Mrs Redmond: No.

The Hon. M.D. RANN: Well, you may not remember. From memory, I said that we were looking at a range of possibly brand new mental health facilities, but some of the buildings that are currently not suitable for mental health are not even being used. They are nationally heritage listed, and they are some of the most beautiful buildings in the state. They are certainly heritage listed; they may not be nationally heritage listed, but I would be surprised if they were not. I said that we were looking at a cultural precinct. One of the possibilities at that stage involved looking at various sites around the city for a new headquarters and studios for the Film Corporation and we looked at a number of sites in the CBD.

They were ruled out for various reasons, which included the cost, because we did not own the land, but also the rising cost of city land. Also there were some access problems; the sites being not quite big enough. We were running into problems there that they were not quite big enough for the studios. We also looked down in Mile End, the area around the Entertainment Centre precinct. Again, there was the issue of costs or locational issues. Issues that were looked at related to things such as is extra sound proofing required because of the proximity of aeroplanes, or the proximity of trains and so on. In the end it came to be the preferred site.

I should say, however, that at the time—and I even said it publicly that we were looking at Glenside as possibly the cultural centre and possibly as the centre for film-making, so it was hardly the best kept secret. In fact, when I announced it in Los Angeles recently one of the journalists, who I think was from Channel 7, reported 'as previously announced'.

Mrs REDMOND: As I said, it was made quite clear by you at the time it was going to be a mental health facility, and clearly isn't. You mentioned a number of other sites that were considered. Did you consider the Port Adelaide Enfield council proposal? They did quite a lot of work on a proposal for a particular site and it seemed to have a fair amount of merit.

The Hon. M.D. RANN: I can't remember. I will ask Mr Mackie. The fact of the matter is that we spoke to the film industry. A whole cluster of companies which are located on the eastern side of the city made numbers of requests to us. There is a Norwood-Kent Town film hub, and there are some in the CBD as well. One of the problems with the Hendon site, being in the western

suburbs, was proximity issues. I think the industry badly wanted something in the vicinity. After all, this is being built for the industry.

The South Australian Film Corporation itself does not make the films. It is involved in the process and it commissions and invests in films, but it does not actually make the films, and often most of the things it does are in collaboration. So it makes sense to put the facilities, using the shadow minister's cost benefit ratio, close to the production companies and the talent.

Mrs REDMOND: Perhaps Mr Mackie might need to help with this next question. In relation to the film and screen hub, there are a couple of questions I want to ask about the specifics in here. Firstly, on page 2.9 of Volume 3, the Adelaide Film and Screen Hub shows a figure for operational support, which escalates quite dramatically over the next four years, from \$100,000 in the coming year up to \$1 million by the year 2011-12. What is meant by 'operational support'? What does that involve given that it is in addition to the actual construction costs according to the budget?

The Hon. M.D. RANN: I will ask Greg Mackie to clarify this, but operational support would obviously rise once the building has been constructed, established and is operating.

Mr MACKIE: The anticipated and projected increases in the allocation for operations relates to things that apply once the site is fully commissioned—cleaning, security, grounds, management fees, and things like that which are not a fact of life while the site is under construction but which have been built into the forward estimates.

Mrs REDMOND: In that we can expect ongoing maintenance and such security costs of at least \$1 million in the out years?

Mr MACKIE: That would be my expectation, yes.

Ms CICCARELLO: Premier, I refer to Budget Paper 4, Volume 1, pages 1.26 and 1.27. Will the Premier highlight the range of government initiatives supporting the film industry in South Australia?

The Hon. M.D. RANN: I have covered some of it, but there is no doubt that film-making in South Australia continues to generate significant economic and social benefits for the state and the government has a strong track record (not just this government, but previous governments) in supporting industry through a variety of funding programs through the South Australian Film Corporation. 2007-08 saw the SAFC back a diverse range of projects, including award winning feature films, short films and documentaries. We are certainly proud to invest in the film industry in this state. It is an investment in our creative future.

I have mentioned the Adelaide Film and Screen Hub will be established on the Glenside Campus cultural precinct. I mentioned the state of the art facilities that will be located there, but an integral part of the precinct will be the creation of a physical film and screen hub on the site, that will include two sound stages, of 1,000 square metres and 400 square metres, but also a set construction work space of 1,000 square metres, production facilities such as make-up and wardrobe, post-production facilities, including mixing facilities, editing, in the Foley rooms, and a small custom-built screening theatre.

The main heritage listed buildings will be upgraded and adapted for the South Australian Film Corporation administration. Again, it is very important to bring the film hub with its new sound and production facilities within close proximity of the city and nearer to approximately 30 film production companies located in the Norwood-Kent Town area, the CBD and North Adelaide. The one-stop-shop aspect of the hub, including the SA Film Corporation, film sector tenants, production offices, and production and post-production facilities will make the Film and Screen Hub the only facility of its kind in Australia.

The sound stages and production facilities at the hub will be the most significant outside the big studio complexes on the east coast. They are deliberately targeted towards lower budget feature film productions to create the opportunity for South Australia to develop and pitch for studio-based television series and other forms of screen production. As Australian producer, Greg Coote (now based in Hollywood)—who is known for producing films such as *The Delinquents*, *The Power of One* and *The Phantom* and who is now working doing films for Fox in Hollywood—said regarding our soon to be built facilities, 'Build it and they will come. There's no doubt about that.'

In addition to the provision of unique, nationally significant infrastructure, the government has also invested in programming and production incentives to further develop the local industry. I have already mentioned the Film Lab initiative designed to give emerging film practitioners the opportunities to develop their skills and careers in a bid to keep this crop of talented film

practitioners working in South Australia. Too often, home-grown film practitioners must leave the state to pursue career development opportunities and experience: the flip side is that large-scale productions in South Australia often have to bring in film crews from interstate. Without them, we do not have an industry.

Film Lab will be very important. It will mean that film-makers are not forced to look interstate to gain training, experience and development opportunities which, in turn, is good news for the creative film sector. Film Lab will offer vital experience in mentoring across all aspects of film-making from project and script development production, post-production through to marketing sales and distribution. There has been a resurgence in feature film production in South Australia, as well as strong growth in post-production and digital effects activity, with South Australian creative talent making significant contributions to Hollywood blockbusters such as *Lord of the Rings*, *Harry Potter*, *Superman Returns* and *Charlotte's Web*.

Obviously I introduced the Adelaide Film Festival and it is has also been given a real impetus to new independent films by granting seed funding for new productions. We estimate that the industry is worth \$28 million annually, employs about 1,000 people and, in the past four years, 26 feature films have been made in SA.

Ms CICCARELLO: We also have, thanks to the SA Film Corporation *Italian Spiderman*, which is proving to be very popular. I refer to Budget Paper 4, Volume 1, pages 1.24 to 1.25. Will the Premier provide an update on the development of the South Australian Museum's Biodiversity Gallery?

The Hon. M.D. RANN: The government has committed \$1.9 million for the development of the Biodiversity Gallery at the South Australian Museum. The South Australian Museum has raised matching funds through sponsorship, the total project cost being \$3.8 million. BHP Billiton is a major sponsor of the project. The South Australian Museum Foundation's fundraising campaign has been brilliantly led by the Hon. Diana Laidlaw AM (arts minister in the former government). The new Biodiversity Gallery at the South Australian Museum will interpret the extraordinary biodiversity of South Australia and promote an understanding of the impact of climate change on the state's biodiversity.

Construction of the exhibition is being managed through the Department for Transport, Energy and Infrastructure, Building Management Project Services. The construction, exhibition design and implementation will be completed in the 2008-09 financial year. The government is committed to protecting our biodiversity. Amongst a number of initiatives aimed at protecting our biodiversity and reducing the impact of climate change includes the planting of three million trees through a series of urban forests throughout metropolitan Adelaide, with a further 2.5 million trees to be planted for the new River Murray forest.

As part of our response to adaptation, the state government is also establishing five biodiversity corridors across the state, as well as the series of marine parks. The government has a 'Lose No Species' target as part of the South Australian Strategic Plan. That is a big challenge: we are continuing to work on it. One of the exciting achievements in this area is to bring back a species that we lost. It is the only time I can think of this, but it was the Tammar wallaby into the Innes National Park and other locations. They went off to New Zealand with Sir George Grey and flourished on an island off the coast. Rather than one no species lost, we have had one species gained.

The Biodiversity Gallery will help to educate and inform people of all ages of the importance of reducing the impact of climate change. I am extremely excited about the project and look forward to the opening of the gallery in 2009—a fitting way to celebrate Charles Darwin's 200th birthday. I will invite the shadow minister to join me at the opening.

Ms CICCARELLO: I refer to Budget Paper, Volume 1, pages 1.26 to 1.27. What has been the progress of the South Australian government's initiatives to support theatre development and presentation across metropolitan Adelaide and regional South Australia, and provide opportunities for artists and audiences?

The Hon. J.D. HILL: Since 2007, the government has invested significant funds in new opportunities for theatre development and presentation in this state. Over the past 12 months, that investment has resulted in a revitalisation of the performing arts and many new opportunities for artists and audiences. I know you would like me to give you some detail about that and I will. The theatre development strategy was established to assist new and emerging theatre companies and groups of independent artists, with a targeted three-year program of support and development for

their performance activities and associated strategic planning, program development, management and marketing.

Three companies, in particular The Border Project, Ladykillers and Slingsby Theatre Company, have been provided with more than \$200,000 a year for the three years from 2007 to 2009, amounting to \$73,000 per year for each company. The Border Project presented its hit show *Highway Rock and Roll Disaster* in the Adelaide Festival Centre's InSPACE program, and developed the innovative *Trouble on Planet Earth*, which premiered at this year's Adelaide Fringe and which won the Bank SA Support Act Award. Ladykillers performed its children's show *Lullaby* to enchanted young audiences at the 2007 Come Out festival, toured *Cake* to Port Augusta and Melbourne, and is now developing its next work, *The Pyjama Girl*.

Last year, Slingsby created its first play, *The Tragical Life of Cheeseboy*, and performed it to Adelaide school audiences and in the Adelaide Festival Centre's Summer Family Fun program. They recently featured at ASSITEJ and are touring regional South Australia at the moment. All three have secured Australia Council grants for their projects this year. These groups have also developed their management skills and governance structures with assistance from Arts SA and the ABAF (Australian Business Arts Foundation).

The theatre development strategy has enabled these companies to expand their horizons beyond single projects and achieve great things in only a few months. The government (through Arts SA) and the Australia Council for the Arts have jointly committed \$594,000 for two years to December this year to establish the local stages regional theatre initiative. Country Arts SA is providing more than \$100,000 worth of in-kind support, as well as access to its extensive resources and networks.

A creative producer, Steve Mayhew (based with Country Arts SA), is working in the Upper Spencer Gulf and South-East regions to develop local artists' skills and initiate theatre projects with potential for presentation in a range of venues and possible future touring. The theatre presenters initiative is providing Bakehouse Theatre and Holden Street Theatres with \$25,000 each per annum for three years to assist them to make their venues available for emerging and independent theatre artists and groups at low cost.

Arts SA's triennial project grants for independent performing artists are now established, with the first recipient, Alison Currie, presenting her dance work *42A* at the Experimental Art Foundation this week; and it opens tomorrow night. In addition, the government has committed \$150,000 each year to the Out of the Square metropolitan touring network, which makes high quality arts presentations accessible to the majority of South Australians who live in the suburbs of Adelaide.

Funding of \$704,000 has been provisioned in the 2008-09 budget to support these initiatives, comprising:

- \$219,000 for the theatre development strategy.
- \$185,000 for the local stages regional theatre initiative.
- \$50,000 for the theatre presenters initiative.
- \$100,000 for triennial project grants.
- \$150,000 for Out of the Square.

Together with a range of exciting projects currently being developed by independent artists, this continues to give South Australian audiences an exciting range of theatre experiences.

Mrs REDMOND: I want to ask some questions about grants and the acquittal processes for grants. I refer to Budget Paper 4, Volume 1, pages 126 and 127. The expenses indicated on page 126 are \$48.820 million in terms of grants and subsidies. I take it that includes the amounts paid to what I would call the big four—Country Arts SA, State Opera, State Theatre and the Adelaide Festival Centre. Having done the sums on the basis of the information that appears in the performance indicators of the percentage supplied from external revenue, it seems to add up to about \$18 million in state government revenue. On my calculation that leaves \$30 million. How much of that \$48 million goes to what I would call smaller performers, individuals and groups?

Mr MACKIE: It is probably important to say that while we as government operate on financial years these small to medium companies operate and receive their funding on a calendar year basis. This is the preferred mode of funding cycle for Australia Council. In order to make it as easy as possible for these organisations to apply and seek support, we harmonise our cycles. In

the calendar year 2008 a fraction under \$3.1 million has been provided to around 40 small to medium organisations. If the honourable member wishes, I can provide an organisation-by-organisation breakdown of those grants. In addition, major organisations are in receipt of larger sums of money. I can provide that breakdown per organisation for the financial year 2008-09.

Mrs REDMOND: I would like to see those in due course; and I appreciate that you do not have them at the moment. The figures on pages 1 to 7 indicate that the average size of an independent makers and presenters grant was \$7,500. As that figure is an average, I take it, therefore, that there is a bit of fluctuation. What is the maximum that would be given to an independent artist or group by way of a grant?

Mr MACKIE: It varies from project to project. I should also clarify that the amount to which I referred earlier related to funding we provide on an annual basis to small to medium organisations. The independent makers and presenters program provides one-off project grant funding to independent individuals and small groups of artists, as well as professional development grants to independent artists to enable them to attend and participate in professional development activities. That amount would probably have an average of about \$7,500. From program to program the upper limit varies. In some instances it is up to around \$20,000. In the professional development area, the average grant is probably less than the \$7,500 you have calculated because it may relate to airfares or registration fees to attend a professional development activity.

Mrs REDMOND: The issue that I want to raise is the accountability process once those grants are made. It has been brought to my attention that on one occasion in the past 12 months a \$15,000 grant was made to a particular group to undertake a particular activity that involved overseas travel. In spite of a complaint being made by a member of the group about the failure to properly account for the spending of that money, the person within Arts SA whom this person dealt with indicated that, basically, once the money is handed over there is no way in which to check that the money has been spent in the way in which it has been allocated by Arts SA in the form of the grant.

There is no real accountability in terms of ensuring that someone who is just a complete layabout, for instance, can take off with the grant and do with it what they will without being made accountable and without having to repay the funds.

The Hon. M.D. RANN: I will start and then hand over to Mr Mackie. It would be helpful if, perhaps, privately, the shadow minister could provide information to Mr Mackie about the particular allegation. Obviously, thousands of organisations receive small grants. We also have a Peer Assessment Committee, which is comprised of practitioners who make judgments on submissions; and, obviously, many of the people are known to them. Of course, if someone fills in all the forms based on applications, as well as the forms on receipt of the thing, receives \$15,000 to put on a new play and then goes off overseas and books into the Savoy Hotel, or something, that would be fraud. It would be a criminal offence. If anyone has information about a criminal offence they have a duty under law—and I am sure my learned colleague is ad idem with me on that—to provide the information to the authorities. I will ask Mr Mackie to respond.

Mr MACKIE: I am not aware of the particular details that you might be referring to. However, I can state that Arts SA has very clearly articulated acquittal requirements for grants, and also time lines for the provision of acquittals. If a recipient of a grant finds themselves in default of that time line, that is noted. We take all reasonable efforts to pursue the acquittal as a normal, standard practice. If, indeed, that acquittal was not forthcoming that applicant or recipient is afforded a de-status and is not considered for future grants.

Mrs REDMOND: Is afforded what status?

Mr MACKIE: De-status. They are rendered ineligible for future grants until such time as the previously provided grant has been satisfactorily acquitted. If you do have some information I am happy to receive it from you after the session.

Mrs REDMOND: I will be happy to provide that, because certainly the indication given to me is that the acquittal was due on 1 April this year and was not provided on time. It has subsequently been provided but it is still subject to complaint. The complainant has been told that, basically, there is nothing Arts SA can or does do about an improper spending of money obtained by way of a grant to support one particular group that is then spent for other reasons, overseas, in Germany. The person has been told that, as long as the money has been spent and the person has provided an acquittal showing that it has been spent, there is no accountability.

Mr MACKIE: As I said, I am not familiar with the particulars of the case that you are talking about, but I am more than happy to look into that. Arts SA does take the processes and the transparency of its processes very seriously. In fact, as the support mechanism for quite a rigorous and long-established arm's length peer assessment process, the original decisions are made by panels of artistic peers. In good faith, I am sure that, from time to time over the years, there may have been incidents where for a variety of valid reasons an artist has been unable to fulfil or deliver the project. In those instances, generally they communicate back with Arts SA and arrangements are made either for the return of the funds, or, indeed, if they have an alternative proposal that can be considered, or if they are seeking an extension to the time line for fulfilment of the project brief that is also considered.

The Hon. M.D. RANN: We are saying that if there is evidence of fraud or misappropriation of funds, please let us know so that we can make sure that people are dealt with appropriately. As I say, if people fail to acquit small grants in the proper way they are banned from getting any more.

Mrs REDMOND: I want to ask about the plans for the Entertainment Centre. Budget Paper 1, page 17 makes reference to \$50 million in 2007-08, but the budget papers largely refer to an investment program of \$25 million for 2008-09, and in particular Budget Paper 5 at page 11. That \$25 million is stated to be \$20 million for the commencement of infrastructure enhancements for the Adelaide Entertainment Centre, including construction of a new 2,500 seat live entertainment venue and \$4.6 million to complete an interior upgrade of the Adelaide Entertainment Centre. The use of the term 'commencement' indicates to me that there is to be more to come. How much is to be spent overall on infrastructure enhancements, and is the \$20 million referred to there to build a new building or is the new venue within the existing building?

The Hon. M.D. RANN: The honourable member cannot be looking at the arts lines. Can the honourable member refer to where we are on the arts budget line?

Mrs REDMOND: Is the Premier suggesting to me that the Entertainment Centre does not belong in the arts budget?

The Hon. M.D. RANN: No; it is under tourism.

Mrs REDMOND: I thought you might say that. Luckily, I have launched myself into the tourism session tomorrow.

The Hon. M.D. RANN: What I do know is that the existing Entertainment Centre needs refurbishment, but also part of the project is a much greater welcoming area (better facilities there), as well as a new facility that the honourable member has already mentioned.

Ms CICCARELLO: I refer to Budget Paper 4, Volume 1, pages 1.26 and 1.27. Will the Premier tell the committee about outcomes of the Australian Performing Arts Market which was held in February this year?

The Hon. M.D. RANN: The eighth Australian Performing Arts Market held in February this year was attended by 562 delegates, including more than 200 international visitors from 26 different nations, which is a record for the event. APAM is a chance for artists and companies to meet with presenters and producers from across the world to develop touring opportunities. It is a national showcase of the contemporary performing arts. Some of the biggest players from around the world come to Adelaide to see what we have on offer.

This year there was a program of more than 60 'spotlight' presentations by theatre and dance companies and individuals from Australia and New Zealand. This year nine South Australian performing arts companies were highlighted during the market. In addition to these performances, there was a wide range of forums and discussion sessions as well as a lively marketplace with booths from 20 national and international arts companies and agencies. Seasoned APAM performers who were profiled in 2008 included the Australian Dance Theatre, Leigh Warren and Dancers, Patch Theatre Company, Vitalstatistix and State Opera. Brink Productions, Oddbodies and the newly funded Ladykillers presented work at the market for the first time. Since February both Brink Productions and Ladykillers have had offers to tour interstate as a result of their involvement in APAM.

In 2006 Arts SA successfully bid for the market for a further three events, ensuring that this excellent international networking opportunity will be available locally until 2012—and, hopefully, beyond that as well. I think it is fantastic that the South Australian APAM event has been such a success, increasing the profile of both our home-grown performing arts companies as well as our internationally renowned festivals to the world market. I look forward to the next Australian

Performing Arts Market in 2010 and congratulate Arts SA for its successful bid, and for helping to expose South Australian performing arts to the world market.

Ms CICCARELLO: I refer to Budget Paper 4, Volume 1, pages 1.26 to 1.27. Can either minister Hill or the Premier highlight some of the outcomes achieved at the 2008 FUSE Festival and Music Business Conference?

The Hon. J.D. HILL: The FUSE Festival and Music Business Conference is one of the ways in which the government supports the development of a sustainable contemporary music sector in Adelaide. Since FUSE was transferred to the Adelaide Fringe in 2006, the event has really grown, and it was held as part of the Fringe this year between 27 and 29 February.

The event focuses on industry development through the presentation of an internationally recognised music business conference which attracts speakers and industry representatives and provides live performance showcase opportunities for musicians. The festival draws a national focus on the South Australian music sector (and that is primarily what it was set up to do) and assists considerably in building the profile of the local industry. The event this year had the largest contingent of bands ever, with a record of 66 bands and artists showcasing their work across venues as part of the Explode and Ignition programs. Three hundred participants registered and, obviously, took part in the event.

The Song Writing Master Class and Legal & International Master Class were both sold out. The South Australian band City Riots was selected by Martin Elbourne (who is associated with the Glastonbury Festival and The Great Escape in the United Kingdom) to showcase at The Great Escape. In addition to this, Martin Elbourne is working with the band to assist with opportunities to also showcase in London. This is a unique opportunity for a South Australian artist to showcase at a leading international market. Arts SA has provided a \$5,000 grant to support the band to travel to the UK for this prestigious showcase event.

Mr KENYON: I refer to Budget Paper 4, Volume 1, pages 1.26 to 1.27. Can the minister outline some of the outcomes of the Adelaide Festival Centre's new directions policy?

The Hon. J.D. HILL: Mr Douglas Gautier, who in May this year celebrated his second year in the position of CEO and Artistic Director of the Festival Centre, has been working with the staff and his board of trustees to reinvigorate the centre. It aspires to be the creative centre of the city and the state, and a major hub for the performing arts. When we recruited Douglas Gautier that is exactly what we said we were looking for, and he is delivering in spades.

A key ingredient in this positioning is the Adelaide Festival Centre Trust's audience development strategies as described in its new directions policy. I am pleased to advise that the program-centred vision is being embraced by the public. Total visitor numbers for all ticketed and non-ticketed activities this current financial year are expected to be well up on predicted targets. They are on track to be around 1.02 million by the end of June, compared with the target of 952,000, and that will represent an increase of just over 14 per cent on the previous year where the total was 895,000. So the centre is once again a hub of activity, as it was envisaged. Total utilisation for all Festival Centre venues (which includes Her Majesty's Theatre) is expected to reach 76 per cent at the end of the current financial year, compared with 68 per cent in the previous financial year.

In March this year the Festival Centre hosted Adelaide Festival of Arts performances and the APAM (which the Premier has already referred to). In May, it presented children's theatre performances and the World Congress during the 16th ASSITEJ Festival. The Festival Centre is also now presenting 60 per cent of its ticketed activities in the current financial year, including theatre, international dance and world music subscription performances, and this represents a steady turnaround over the past two years from the previous situation when most of the centre's programming content belonged to external hirers. The 2008 Adelaide Cabaret Festival, staged at the Festival Centre, once again drew huge audiences to a mid-winter activity, and there is a pleasing focus on programs to strengthen the involvement of young people and newly arrived community groups as well.

In late September we will see the second OzAsia Festival mounted (it was launched last night), and from 29 November to 7 December the second Adelaide International Guitar Festival. The program for the 2008 OzAsia Festival, as I say, was launched last night, and the program for the 2008 Adelaide International Guitar Festival will be launched on 20 August. The Festival Centre remains at the forefront of artistic activity in the state, and its jam-packed 2008 program is a testament to the renewed vision and vigour. I congratulate the trustees, Mr Gautier and his staff on their successes to date.

Mrs REDMOND: Through the Premier to the minister, I will continue in relation to that reference to the Cabaret Festival. I understand that this year's Cabaret Festival (which is a fantastic festival—it is my favourite of all the festivals in Adelaide) was cut short, and the reason for its being cut short was the overexpenditure on the Guitar Festival. I want to know how that came about and whose decision-making resulted in spending too much on a guitar festival in its very first year, and why that then impacted on the Cabaret Festival?

The Hon. J.D. HILL: I thank the member for her question. It was regrettable that the Guitar Festival did run over budget to the tune of around about \$640,000 from memory. One of the things about any company which runs artistic activity and has new products to put into the market is that you can never be a hundred per cent certain about the outcomes and, unfortunately, the Guitar Festival was overly ambitious—I think that would be fair to say—and it did run over budget.

The Festival Trust, as a result, had to cut its costs for the rest of its programming to manage that particular outcome, and that they did. Unfortunately, the Cabaret Festival was one of the programs that was reduced in size; nonetheless, total attendances for the Cabaret Festival reached 36,000, with 26,855 tickets sold by the end of the festival with net box office income of \$803,000, so it achieved 119 per cent of its original net box office target and 111 per cent of its revised target, and the target was revised when extra performances were put on sale due to demand. Seventy-four per cent of available tickets were sold, which is the best ever result for this festival, and 43 performances were sold out.

So, ironically, despite the reduction, it had its best ever result. That is the problem with the arts: on the one hand the Guitar Festival overran—it was a great event, but it was overly ambitious—and the Cabaret Festival, which was cut back and people thought it would be a smaller festival, in fact, had one of its best ever results.

It is just part of the job of managing these issues that the trust and its operators, Douglas Gautier and his staff, have to do, but I assure you that the government has total confidence in their capacity to manage it. The next guitar festival later this year will be better focused, I think it would be fair to say, and we are very confident about its long-term future. I should also say that from 2008-09, the government will provide \$700,000 in annual operating funding for the Festival Centre Trust for the Adelaide Cabaret Festival. This represents an increase of \$200,000 per annum to support programming for this popular event.

I agree with the member for Heysen; it is my favourite festival, too. I think the fact that it is in a relatively short period of time in one location, that the programming is all designed for fun and that they are all relatively short pieces so you can see a couple of things a night and have a drink and a bite to eat in between, makes it just a great festival.

Mrs REDMOND: I go back to the Adelaide Film and Screen Hub and the budget for it. The figures show an overall construction cost of \$42.45 million plus operational support. I already asked about the operational support, which is \$3.31 million for the four years from 2008-09 to 2011-12, so there is a total of approximately \$46 million assuming no cost blow-outs. Then, at the very bottom of page 2.9 of Budget Paper 3, there is a revenue offset of \$100,000 in 2010-11 and \$470,000 in 2011-12 for the hire of facilities.

Am I correct in assuming that there has been a business case developed showing that the hire of facilities will increase into the future and, if so, what does that show; and what does the business case anticipate in terms of overall economic benefit to the state and over what term through the development of the hub?

The Hon. M.D. RANN: I invite Mr Mackie to respond.

Mr MACKIE: Thank you, Premier. In respect of the last part of your question and the economic return, I will take that on notice. I will have to refer back to the detailed business case. As a general observation with regard to the projections moving from \$100,000 in 2009-10—or was that 2010-11?

Mrs REDMOND: That was \$100,000 in 2010-11 and \$470,000 in 2011-12 which I assume is the beginning of an upswing.

Mr MACKIE: That would in part reflect the fact that we do not anticipate completion and therefore commissioning of the Film and Screen Hub and therefore its ability to start to generate revenue until the latter part of the 2009-10 financial year and then of course in 2010-11, which will be a full financial year, we will begin to see an increase in the utilisation and revenue streams.

The Hon. J.D. HILL: Madam Chair, can I just beg your indulgence, I know we are getting close to the end. I gave a figure in relation to the Guitar Festival. I think I said it had a loss of \$640,000. I apologise to the house; in fact, it was a \$470,000 operating loss compared to its budget.

Mrs REDMOND: I know Mr Mackie said that he would have to take it on notice in terms of the business case, and I appreciate that there will be overall economic benefits to the state that will not be directly reflected in the hire of facilities, but does anyone of all the people who are present have any ability to give us an indication as to the overall economic expectation from the development of this hub?

The Hon. M.D. RANN: Of course there is a case, and it followed extraordinary consultation with the industry. The other problem, of course, is that, if we carried on at Hendon—which had a whole range of occupational health and safety issues as well as location—one of the biggest problems was that it was not high enough for a studio, so we were missing out on a whole range of films and advertising production because it was no longer considered functional.

If we did not commit to a screen hub, we could kiss goodbye to the film industry in this state, apart from the post-production companies. We would have lost crews and directors, and that was the message. We sort of fight above our weight in the film industry, but if we did not get the new studios, basically, we would not be celebrating a continuation of the rich history of filmmaking that we have.

The CHAIR: Time having expired, I declare the examination of the proposed payments completed. Thank you, ministers and advisers.

The Hon. M.D. RANN: Madam Chair, I thank you and your officers for your professionalism and courteous bipartisanship. Also, I thank questioners from both sides of the house and, most importantly, I thank all the officials who have to put in a huge amount of work before each estimates round and afterwards in terms of follow-up questions. Thank you to everybody involved.

The CHAIR: I also declare the payments relating to the Premier, the Minister for Social Inclusion and the Minister for Sustainability and Climate Change adjourned until 27 June.

Membership:

Mr Hamilton-Smith substituted for Mrs Redmond.

DEPARTMENT OF TREASURY AND FINANCE, \$97,881,000

ADMINISTERED ITEMS FOR THE DEPARTMENT OF TREASURY AND FINANCE, \$1,393,139,000

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, Department of Treasury and Finance.

Mr G. Goddard, Deputy Under Treasurer, Department of Treasury and Finance.

Mr A. Martin, General Manager, Corporate Services, Department of Treasury and Finance.

Mr D. Imber, General Manager, Finance Branch, Department of Treasury and Finance.

Mr A. Blaskett, General Manager, Government Accounting and Reporting, Department of Treasury and Finance.

The CHAIR: I know everyone here is familiar with the estimates processes but nevertheless I will remind everybody of the procedures. 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 consideration of proposed payments to facilitate changeover of departmental advisers. Changes to committee membership will be notified as they occur. Members should ensure 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 18 July. 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 *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 the minister's advisers. The minister may refer questions to advisers for a response. I also advise for the purposes of the committee, television cameras will be allowed to film from both the northern and southern galleries. I declare the proposed payments open for examination and refer members to the Portfolio Statement, Volume 1, part 3. Treasurer, could introduce your advisers please?

The Hon. K.O. FOLEY: To my right is the Under Treasurer, Mr Jim Wright, who is well known to everyone; also well known is Deputy Under Treasurer, Mr Brett Rowse, and the fine men and women of Treasury behind me. I just noted that this is my 22nd attendance at an estimates committee—seven as a staffer, eight as an opposition member and seven now as Treasurer. I think my maths is right. But unlike what occurred when I was shadow treasurer, when the then treasurer, Rob Lucas—who must have been very concerned about our style—would speak ad nauseam, making long opening statements and then taking questions from his own side, to assist the opposition in asking as many questions as it can, I will not waste the time of the committee by making an opening statement. I have also asked my colleagues not to ask questions and to give the floor fully to the opposition. I apologise to my colleagues but, for fairness, openness and accountability, I make the entire session available to the opposition. Whether I am prepared to adjust the program—as we have agreed—post-dinner will depend on how I feel at dinner. So, it is over to the opposition.

The CHAIR: I can feel the disappointment on my right, Treasurer.

Mr HAMILTON-SMITH: Despite the gracious offer of the Treasurer, I will make a few opening remarks. I begin by thanking the Treasurer for his offer to give the opposition a run with questions. I think it is commendable, and I respect him for it. I wish the Premier and the minister responsible for public sector management had been of the same view.

The Hon. K.O. Foley interjecting:

Mr HAMILTON-SMITH: Well, that is a separate issue; we will not go there. We might have a bit more to say about that later in the afternoon. I just want to make a couple of points. I know the Treasurer might not like hearing some of these points, but they are largely facts. When this government first came to office, it chose to use net lending borrowing as the measure it would use for its budgets. On that measure, the budget is in deficit by \$548 million in 2008-09. On a cash basis, it is in deficit by \$530 million. On the government's preferred net operating surplus base, it is in surplus by \$160 million. They are just facts. On two of three of those measures, the budget is in deficit.

The opposition notes the extraordinary revenues reflected in this budget—from \$8 billion, or just over, in 2001-02, heading towards \$15 billion by 2011-12. We also note with concern—and we might come to this during questions—the losses made by Funds SA, MAC and WorkCover as a result of recent events in financial markets, but we will come to that. We note with concern that the debt position will be \$5.23 billion by 2010-11 for the non-financial public sector. We have made the point that there seemed to be about \$3.7 billion worth of extraordinary windfall benefits as at this budget, of which \$2.1 billion was GST related. We note that that money was not provisioned for any infrastructure efforts, and we are now having to borrow to build. I know that the government's argument is that it spent that money on health, education and family and community services, but I will just say that we are not seeing much evidence of that.

We have expressed concerns—and we will have questions on this—about the increase in taxes: 116 per cent on property and, across the board, quite an extraordinary increase of 65 per cent, and we do not see a tax-cut strategy coming from the government. We also note—and I do not know whether the government wants to refute this—that, according to the Commonwealth Grants Commission, we are working the tax base in this state harder than any other state, to a ratio of 112.58 per cent. I will not go on about tax just now, because we have questions on that and we will get to that later. However, I will make the point that, before we leave today, we would like to clarify the situation with the Public Service and the size of government. We asked the Premier and he would not answer. We have asked the minister for public sector management and he would not answer. So, I just hope that we are able to get an answer today.

We are concerned about the growth in unfunded superannuation liabilities, up by nearly \$2 billion. It could be more, but I have a question on that. The debate on WorkCover liabilities has been had, but we need to get to the facts about the size of the public sector. I want to put on the record our disappointment in the fact that, in this budget, it now seems that the figure of \$2 billion has been extracted from SA Water over the seven budgets. The government's argument would be that previous governments took some out, too. I have to say that it was nothing of that order, nothing of that size and magnitude. It was actually a loss centre, not a profit centre, in the early 1990s before it was corporatised.

We also have to say that some of the government's economic growth projections in last year's budget have been found to be inaccurate. We are also very concerned that on a range of economic indicators our slice of the national cake seems to be either static or in reverse, particularly if you look at exports or our share of gross national product. Our slice of the economic cake seems to be contracting on a range of measures, even though it has gone forward in gross terms. I am particularly concerned to go to the question of the true facts on mining, but I will start with a question relating to the table on—

The Hon. K.O. FOLEY: I withdraw my earlier comment about not making an opening statement. Martin, I am not going to sit here and listen to your nonsense. If you want to be taken credibly and seriously as a debater and a commentator and if you want to engage with me and others in a budgetary debate, let us do it from a position of fact and fairness in the interpretation of those facts.

First, when we came to office the budget was reported on a cash balance presentation. Even though your government had introduced accrual accounting, by my first budget you were still reporting on a cash basis which had these dodgy numbers, these strings of \$2 million notional surpluses which were just not right. In the first four or five budgets we moved to get both operating surpluses and net lending surpluses. I have to say that we then moved to accepting that we would borrow for infrastructure, although because of some strong gains in the revenue area we still managed to deliver budgets—notwithstanding the budget settings of being in net lending deficit—with a net lending balance.

We do not report on a cash basis so referral to a cash surplus is irrelevant. It is not a measure by which we report our budget. The government took the decision that we would accept a level of borrowing that would be sufficient for us to replenish the capital stock of this state. When we came to office the government of the day, your government, for whatever reason—I do not run away from the fact that you had some pressures in that time—was spending less money on capital than would cover the depreciation of our capital asset base. At some point a government had to start recapitalising the state. Because of the strong revenue flows into the state that has given us an opportunity.

For you to suggest that any state government could put 2½ billion dollars into some bank and then spend it all on infrastructure is nonsensical and destructive to good budgeting. Today's taxpayer should not have to pay for capital infrastructure that will be used by people in this state for the next 40 to 50 years. Why should taxpayers over a three or four year period—

Mr HAMILTON-SMITH: What a ridiculous proposition. You go on, you finish. That is exactly what Mr Rudd is doing, but you go ahead. You finish, go on.

The Hon. K.O. FOLEY: No; it is not what Mr Rudd is doing. We have at our disposal a series of cost pressures that do not give us the luxury of putting \$3 billion or \$4 billion into some sort of future fund. Kevin Rudd has a set of revenue flows and budgetary settings that can allow him to do it. We do not have that luxury. Why? Because state governments around the nation deliver the majority of services.

National governments largely accept the majority of revenue and, apart from their defence spending and a few other functions in government, their large expenditures are, in fact, transfer payments—be they social security, welfare or various other payments—which include a series of transfer payments to the states. The states have to deliver the services. Why would you spend \$2 billion of taxpayers' money over a two or three year period on a rail system that will benefit people for 50 years? You would spread those borrowings over, if not 50 years, many years to get generational equity.

An honourable member interjecting:

The Hon. K.O. FOLEY: It is. It means that the generations can pay for it and one generation should not be adversely impacted more than others. I am not running away from the fact that there were budgetary issues during the 90s that your government faced that did make the replenishment of capital stock very difficult. I am mindful of that but, regardless of what happened, the truth is that we have to replenish our capital stock. We are rebuilding all of our hospitals, we are rebuilding all of our prisons, we are building six new major super schools, we are spending a lot of money on existing school fabric, we are putting a lot of money into transport.

That is infrastructure money, Martin, that has to be spent and we are able to use that—whether it be windfall gain, or taxation revenue that we did not expect—to help in part fund that as well as borrowings. The other phenomenon that we have at a national level, for which the states are bearing the cost, is health. You say you do not see much. You would see a lot more if we were not spending this money. From memory, in this budget alone there is 9.6 per cent recurrent growth in health costs of which the commonwealth is not giving us 50:50.

That is where the money is going. We have this horrible blight on western society around Australia and around the western world where more kids are coming into care than at any other time, at the time of the western world's wealthiest period, and again we have had to put \$190 million into that sector. We have committed not as much but close to that amount of money in previous years. That is the real cost pressure and that is why I made the comment about having an intelligent debate about financing the state.

If you win the next election you will be confronted with this and the only caution I would give to you is be very careful what you are saying now because, if you do win government, it is going to come home to bite you. The biggest issue confronting the states is vertical fiscal imbalance, that is, the commonwealth running \$20 billion surpluses whilst the states are running \$20 billion net lending deficits for infrastructure demonstrates the imbalance that we have.

Before the GST the states were receiving approximately 6 per cent of revenue compared to gross national product. We are now receiving approximately 4 or 4½ per cent. The commonwealth through income tax, through company profits, through its various taxation is growing like there is no tomorrow. Notwithstanding GST growing, we are receiving a smaller slice of the national income pie than we were a decade ago. At some point, a national government (Labor or Liberal) will have to accept the fact that it has to provide greater support to the states.

In 30 years' time, whoever is in this parliament having this debate, the only thing they will be debating will be the health department's budget because there will be nothing left for anything else. I am happy to have a mature, educated debate, but simply throwing the sorts of lines around that you do is unfortunate. State budget management is not easy: it is a very difficult task. I would simply ask that you present the facts correctly and not for some political point that is not sustainable by a proper interpretation.

In terms of whatever debate you have had with previous people in this chair, I can give you the reconciliation of those employment numbers because it appears in the Commissioner for Public Employment's report which I assume is a public document and from which you got some of your questions. I guess your advisers did not look at appendix 2 which says in black and white, 'Reconciliation of the 2007-2008 budget papers workforce figures'.

It has the Treasury numbers and then it has the Office of the Commissioner for Public Employment numbers, and it reconciles them. One set of numbers is for the general government sector and the other set of numbers involves the PNFCs (public non-financial corporations) and some other sundry entities that are not counted for in some of Treasury's numbers; and, of course, you have the difference between an FTE, which is a full-time equivalent position, and the actual numbers of persons, because a number of people in Public Service work part-time, half-time or quarter-time. They are all there, so you did not even need to ask the question. I will give it to your advisers. That was in appendix 2. All that that hullabaloo today was for no reason.

Mr HAMILTON-SMITH: There is probably not much point getting into a repartee about some of the flawed logic in what you have had to say for the past 10 minutes.

The Hon. K.O. FOLEY: Because it is not flawed.

Mr HAMILTON-SMITH: It is actually.

The Hon. K.O. FOLEY: Well, get me for misleading parliament. Move a motion that I have misled parliament.

Mr HAMILTON-SMITH: If you would like to read the Auditor-General's Report, he makes the point that you have consistently underestimated your expenses.

The Hon. K.O. FOLEY: That is true.

Mr HAMILTON-SMITH: You call them 'cost pressures'.

The Hon. K.O. FOLEY: Yes, just like you guys did.

Mr HAMILTON-SMITH: You have consistently underestimated your income—

The Hon. K.O. FOLEY: Yes.

Mr HAMILTON-SMITH: —and your blow-out in expenses year after year has been net, fortunately for you.

The Hon. K.O. FOLEY: Yes, I do not deny that.

Mr HAMILTON-SMITH: Mate, if you had not been Treasurer through seven of the wealthiest years this state has ever seen, you would be running this state bankrupt, just like Labor did in the late 1980s when they delivered us with \$11.6 billion of debt—and you have made the point that only \$3.4 or \$3.6 of it was State Bank.

The CHAIR: Order, leader!

Mr HAMILTON-SMITH: The rest is just the same thing that you are talking about now, that is, trying to pay the bills with debt.

The CHAIR: Leader of the Opposition, you have strayed far enough. Ask a question.

Mr HAMILTON-SMITH: He was not going to make a statement, then he decided to make one.

The Hon. K.O. FOLEY: Madam Chair, can I just say: look, Martin, I do not really want to have an angry afternoon. If you have an anger management problem, get it fixed, but I really want to have a calm discussion and debate with you. Let us not get angry over nonsense. I am not disagreeing with what you have said is in the Auditor-General's Report: that is correct. If you want to say that I have been a horrible Treasurer, I am hopeless and whatever, I can live with that, mate. I am pretty proud of what I have done in my career, but that is for others to judge. I am pretty happy with it, as I am sure you are proud of your career—and so you should be. I do not belittle your time in this parliament or your time as a serving officer in the military, so why you want to personalise the debate is beyond me.

Mr HAMILTON-SMITH: No-one has, Treasurer, we are simply making the point that you have had a very easy run for seven years.

The CHAIR: The rules are that if you stray from questions, so can the Treasurer. That is why I have been trying to bring you back to questions.

Mr HAMILTON-SMITH: We can spend the whole afternoon at this, if the Treasurer wants to.

The CHAIR: Questions.

Mr HAMILTON-SMITH: I refer to table 2.16 in Budget Paper 3, page 3.5. Will the Treasurer update the opposition on the status of the government's plan to cut 1,571 jobs from the public sector as announced in the 2006-07 budget and, in particular, will he tell us the breakdown of these job losses by portfolio and agency to date, particularly a breakdown of the jobs lost through natural attrition versus TVSPs (targeted voluntary separation packages)?

The Hon. K.O. FOLEY: Where do you get the 570 from? I am not saying that they are not there, I just want to look at it.

Mr HAMILTON-SMITH: It was in your 2006-07 budget.

The Hon. K.O. FOLEY: We are dealing with 2008-09.

Mr HAMILTON-SMITH: You have said that you want to cut the number of jobs.

The Hon. K.O. FOLEY: Hang on, you asked me a question about a budget two years ago.

Mr HAMILTON-SMITH: Are you or are you not going to answer the question?

The Hon. K.O. FOLEY: Are you asking me a question about a budget two years ago?

Mr HAMILTON-SMITH: Well, you did foreshadow it in 2006-07.

The CHAIR: Leader, the questions are about the budget in front of us.

Mr HAMILTON-SMITH: Let me rephrase that.

The CHAIR: If you want to refer to any other documents, it is incumbent upon you to table those documents so that the minister concerned has the opportunity to decide on the basis of facts whether to comment.

The Hon. K.O. FOLEY: All I can say is this: I do not why I am being asked a question about a budget saving table in 2006-07.

Mr HAMILTON-SMITH: Let us leave that one, Treasurer. We will come back to that one later. Are you happy with that?

The Hon. K.O. FOLEY: No.

Mr HAMILTON-SMITH: Leave it; you will not get your head around that one. We will come back to your job cuts for the public sector later. Let us move on.

The Hon. K.O. FOLEY: Do you have an anger management problem, Martin?

Mr HAMILTON-SMITH: Look, no, I have no anger management problem, but yours are well documented.

The Hon. K.O. FOLEY: Why are you getting so angry?

The CHAIR: The Leader of the Opposition will come to order!

Mr HAMILTON-SMITH: We read about them all the time in *The Advertiser*—

The CHAIR: The Leader of the Opposition will come to order!

The Hon. K.O. FOLEY: What are you getting so excited about? Why can't you just not get red in the face?

Mr HAMILTON-SMITH: Quieten him down; he's making provocative remarks. Your anger management problems are famous, mate.

The CHAIR: Order!

Mr HAMILTON-SMITH: They're out in the town; they're in the members' bar; they're in here.

The CHAIR: The Leader of the Opposition will come to order!

Mr HAMILTON-SMITH: What a joke.

The CHAIR: Please show some respect to this parliament and the resources being devoted to allow questioning of the estimates.

Mr HAMILTON-SMITH: Require the same of him, Madam Chair.

The CHAIR: I do.

Mr HAMILTON-SMITH: No, you're not.

The CHAIR: I do, but the Treasurer is not in the same condition as you are.

The Hon. K.O. FOLEY: In relation to the opening question, I apologise that I do not have the 2006-07 budget papers with me. Perhaps the member might have been better off asking me that question in 2006-07, but, from memory, that would have been the expected FTE reductions as a part of the Greg Smith review. That was based on a whole series of savings that we were doing, in particular Shared Services, as well as a whole number of other efficiency savings. I will look at the question after this session and see whether there is anything more I can add. As I said, that question should have been asked in 2006-07.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, page 2.35, table 2.16. Some 81,775 full-time equivalents will be the total public sector employment number at 30 June 2008. Last year's budget showed that the estimated total public sector employment number as at 30 June 2008 was to be 79,784. Does this mean there has been a blow-out of 1,991 FTEs from last year's budget to this year's budget?

The CHAIR: Are you happy to accept those figures as being accurate?

The Hon. K.O. FOLEY: I do not know, Madam Chair. Anything that the Leader of the Opposition says on figures I probably should check.

The CHAIR: Where data and figures are referred to, the full reference must be provided.

The Hon. K.O. FOLEY: We will look at this question after this session. The Leader of the Opposition's numbers look different from our numbers. We will take it on notice and get it reconciled for him.

Mr HAMILTON-SMITH: The budget paper states '81,775', so don't tell us that number is different from our number. It is in your budget on page 2.35.

The CHAIR: Leader, you gave two sets of figures. You also gave last year's figure. You did not provide the source of last year's figure. Therefore, it is not possible for the Treasurer to check the figures.

Mr HAMILTON-SMITH: It is in the budget papers, Madam Chair.

The CHAIR: You fail to understand, apparently, that when you are citing a figure that is not in the papers before the minister it is incumbent upon you to provide the whole document so that the minister is able to see whether there are—

Mr HAMILTON-SMITH: Do you want me to bring last year's budget papers, as well?

The CHAIR: I do.

Mr HAMILTON-SMITH: He is the Treasurer. It is his job to know this. He has all these people here.

The CHAIR: Order!

The Hon. K.O. FOLEY: You have got your people here, too, who are sniggering in the background. I must remember that. Madam Chair, I can sort this out. I have got the answer for the Leader of the Opposition, if he will be calm. Honestly, if he keeps going on like this I will just take it all on notice. I am not up to getting belted by the Leader of the Opposition or his minders sitting behind me laughing at their boss because, clearly, they are impressed with his style. Now, we can play it both ways, mate. I will give the answer, if you are ready to listen to it.

The figure of 81,775 to which you are referring is total public sector employment. The Treasury brief I have—because we are here today dealing with the general government sector—is 77,041. As I said, the reconciliation document that you have includes the public non-financial corporations sector and the financial corporations sector, as well. The general government sector figure is 77,041 FTEs. The increase of 2,262 FTEs from 30 June 2007 to 30 June 2008 primarily reflects higher FTE caps in priority areas of health (350 FTEs)—as we put more money into health—education (299 FTEs), families and communities (172 FTEs) and justice (532 FTEs). As at 31 March 2008—

Mr GRIFFITHS: That is not the question.

The Hon. K.O. FOLEY: Sorry?

Mr HAMILTON-SMITH: Go on.

The Hon. K.O. FOLEY: What do you mean 'it's not the question'?

Mr HAMILTON-SMITH: Look, you don't have to respond to private conversations we are having. Just get on and answer the question.

The CHAIR: Order! Please show some respect to the witness and the committee.

The Hon. K.O. FOLEY: Martin, I have just answered the question as it relates to the general government sector. I am not responsible for the public non-financial corporations—for example, SA Water and ForestrySA. I will take the balance of the question on notice and come

back with a reconciled answer. That is the answer to the FTE story as it relates to the general government sector.

Mr HAMILTON-SMITH: I am just making the point that the budget paper on that very page includes both the general government sector, the public non-financial corporations sector and the financial corporations sector. It is all included. We will look at your answer and we will deal with it then. Will the Treasurer explain what the average cost of each public servant is? Last year he told the committee that it was \$72,000. Is that still the figure you are dealing with or has it been adjusted?

The Hon. K.O. FOLEY: Clearly, it would have been adjusted to take account of wage increases and other input costs. We will get the number and come back to the committee.

Mr HAMILTON-SMITH: You do not know what that figure is?

The Hon. K.O. FOLEY: Not off the top of my head, no.

Mr HAMILTON-SMITH: Budget Paper 3, page 2.34, states:

...(FTE) employee number estimates for general government sector agencies are based on FTE caps applied to them...with agencies required to explain any significant variations from their FTE cap.

Will the Treasurer explain what constitutes a significant variation from the FTE cap? How has the cap been working?

The Hon. K.O. FOLEY: We are now monitoring this on a quarterly basis. We started on a monthly basis. I will be quite upfront about this. Believe it or not—maybe you could have done it better; I do not think you did but maybe in the future you could—it is very hard to measure the size of the workforce because of the large number of reporting entities. We are now collapsing a number of those health units into the government sector. A lot of those units were semi-government types of bodies and it was difficult for us to track what the workforce numbers were because of FTE issues, part time, the transient nature of some of these jobs, contracting—all sorts of things. The reality is that the diversity of government is such that it has been difficult. We have been trying to do it through a census model where Treasury takes prime responsibility for it. It has been quite good. If a department is allocated extra expenditure through a budget year, it has to identify how many FTEs would be involved in that budgetary measure and then, if it is approved by cabinet, the cap is adjusted upwards accordingly.

In pretty well all cases it is travelling well. A significant variation would depend on the size of the agency and the size of the number. If there are half a dozen people in a department of 1,000, that is really not an issue. The hardest one we have, of course, is in the area of health into which we are continually putting more money as more people come through the doors. When you put more money in, you have to take on more nurses, orderlies and doctors, as well as more catering staff and all sorts of things.

At present, on my advice, as at 31 March in the total sector we were 244 FTEs below the overall cap for government. Most agencies are below their caps, but health was above its cap reflecting its workload pressure. Whilst the rest of the government has been under at the March 2008 check-in point, health is above it due to the additional resources we are putting into it in relation to workload pressures.

Mr HAMILTON-SMITH: I refer to the same budget reference, just digging further down into this cap and how it is managed. Last year in estimates the Treasurer told the committee that the FTE cap cannot be broken unless agencies (I think these are the words he used) had 'funding approved by cabinet to pay for that employment', or words to that effect. The Treasurer is suggesting that some of those caps have been exceeded, I think. Will the Treasurer tell the committee what reasons have been given by agencies for breaking their cap and what measures have been implemented to ensure that it is not repeated?

The Hon. K.O. FOLEY: This process has not been in place for a long time. There have been some cases where the caps have been exceeded without the expenditure authority giving them a reason for that. That is reported regularly to Treasury and to the budget committee of cabinet. Our Treasury is very quick to follow that up to find the reasoning behind it and to work with those agencies to ensure that that does not happen into the future.

This measure of accountability, at this stage at least, is not designed as a punitive measure in the sense that if a department exceeds its cap we go in and fire the chief executive. It is a management tool to enable us to better understand the pressures within the sector and to work with the agencies to ensure that they have a better system of accounting for their FTEs and that

they take corrective action. Clearly, if certain agencies continue to be recidivists, other actions will be looked at. It is a management tool, and the public sector is getting its head around this new accountability, which has not been put in by any former government—Labor or Liberal.

Mr GRIFFITHS: I want to ask a question relating to the previous answer provided by the Treasurer. My recollection is that the Treasurer talked about health being above the cap but other departments being below the cap. When it was originally put in place, was the cap at the current level of full-time equivalent staff members or was it at a level fractionally above that to allow for future growth?

The Hon. K.O. FOLEY: No; it was a real-time number that was the result of census across government at the time that that number was produced. It was a census at a point in time, which, by definition, would probably mean that by a week later it was a different number. That was the census. We did a census across all agencies. We also lined it up against what an agency's budget could afford to make sure that there was an equilibrium or a balance between what it was saying it was employing and what it was funded to employ. That was a point in time.

We did not put a cap expecting 5 per cent. We will adjust the cap up and down. The whole idea is to adjust it up and down according to the amount of money we are giving an agency. If we cut an agency's budget, we would assume there would be a reduction (not always, unless it is a non-employing impacting position) and we would adjust it downwards.

Mr GRIFFITHS: I appreciate the answer. Is my recollection still correct therefore from the Treasurer's first answer in that health was the only one that was above that cap and all other departments were below the cap figure? Is that what you said, Treasurer?

The Hon. K.O. FOLEY: No. I am saying that, as at 31 March 2008, when we look at the time slot then, there were 75,652 FTEs in the general government sector. This was 244 FTEs below the cap at that time. Most agencies were below their caps. Health was above its cap, which reflects its increased workload.

Mr HAMILTON-SMITH: I am still interested in table 216 on page 2.35 of Budget Paper 3. The equivalent table (which included all sectors of the public sector in the 2002-03 Budget Paper) when compared with this table shows that FTE numbers across all the public sector have exceeded budget by 12,085. I note that the government budgeted for a total of 2,757 public servants back in 2002-03 to 2007-08, but the actual increase has been 14,842. I want acknowledgment from the Treasurer that the figure is 12,085?

The Hon. K.O. FOLEY: I will not acknowledge any figure the honourable member has plucked out. It may well be a correct figure, I am not saying it is not, but it is incorrect to say that that is 12,000 more than was budgeted for. It may be—and I am not saying that it is because I do not have the numbers in front of me—but if 12,000 more were in the 2002 budget it would have been the result of adjusted budgets through the course of the last seven years, because we are spending at least \$1 billion more, I would have thought, per year on health than we were seven years ago. We are spending a hell of a lot more.

We are employing 400 more police this term alone, and we employed, I think, 150 more than you guys in the last term. I may be wrong on that number exactly, but my point is that we have employed a large number of people. For example, we have employed hundreds upon hundreds of social workers to deal with the child/youth problem and kids in care. That has all occurred since the 2002 budget, so it is a misrepresentation of the true facts to say that that is a blow-out in terms of what had been budgeted for. It is a higher figure than what had initially been budgeted for in 2002, but it has been adjusted through the course of the last six budgets.

Mr HAMILTON-SMITH: I just want to go back to the first question I asked because the Treasurer was trying to avoid that one. The question was really about whether there had been a 1,571 job blow-out in the public sector—unexpected—in the last 12 months. I have a copy, and I am happy to make it available to the Treasurer, of what was in last year's budget paper. If you look at the graph in last year's budget paper and the graph in this year's budget paper, it is the same format and the same layout. It estimated that by 30 June 2008 there would be 79,784 people in the public sector across all categories. This year's budget paper, and I am looking at the table, gives a figure of 81,775. They are just facts. What I was trying to get from the Premier was the reason there were 1,571 more people that have been hired over the last 12 months across all sectors.

The Hon. K.O. FOLEY: Well, you are wrong, because, for some reason, either you or your advisers do not know how to read budget papers. You said I was avoiding the answer earlier.

In fact, I admitted to the number being larger than what you just said it was. I actually said, talking about the general government sector, and I repeat:

There were 74,779 FTEs in the general government sector as at 30 June 2007. The FTE cap for 30 June 2008 is 77,041. That is an increase of 2,262.

I have already said that. I actually said that 1,500 is too small a number and it is actually 2,262. So you cannot accuse me of not giving you an answer. I gave you an answer, if you had been listening or your staff had been listening, that showed you were wrong and it is a larger number than what you are saying. The explanation is that it primarily reflects more money through the course of the year being put into health (350 FTEs), education (299 FTEs), families and communities (172 FTEs), and justice (532 FTEs). So I volunteered a larger figure, explained why it was and then you attacked me for avoiding that question and not answering your question. I am just trying to do my best.

Mr HAMILTON-SMITH: Let us go to the question of the budget for employee expenses in Budget Paper 3, page 2.34. From the 2007-08 budget to 2008-09, employee expenses have been revised up by a total of \$1 billion, from 2007-08 through to 2010-11. Can the Treasurer explain why there has been such a significant upward revision in the space of only one year?

The Hon. K.O. FOLEY: Because we are spending a lot more money on infrastructure.

Mr HAMILTON-SMITH: This is employee expenses.

The Hon. K.O. FOLEY: We are projecting significant expenditures in health over the next four years—I think about \$460 million. The reality is that, with every few million you spend on health, it comes with employees. A lot of that money is activity-based expenditure—primarily, I think I am right in saying, in the accident and emergency departments and people coming through our hospitals. Despite the pressures at any one point on our emergency services sections in our hospitals, we keep putting in more and more money, which comes with more and more people and more and more expenses. That is the challenge of government. As I said, if it keeps rising at 9 to 10 per cent every year, compounding, I do not know how we are going to meet the health demands of our community in 20 or 25 years' time, and it might be a hell of a lot sooner. That is the real pressure.

That is why I come back to my opening comment that, if you win the next election, your rhetoric will change very quickly when you are confronted with what I have to confront in this job, and that is: where am I going to get the money from each year to meet the health needs of our state? Fortunately, we have had strong revenues which have assisted us. In future years, when we do not have that revenue flow, it is going to be very much harder. That is why I am trying to insulate the budget going forward and leave you with a good set of numbers, should you be successful at the next election, of very large operating surpluses. I think you might appreciate my budget management should you find yourself treasurer in 18 months' time.

Mr HAMILTON-SMITH: In regard to the \$1 billion revised figure—apart from health: we have talked about that—can you segment further which agencies have caused or brought about this \$1 billion blow-out in employee expenses? Is it beyond health, is it nearly all health?

The Hon. K.O. FOLEY: It is not a blow-out: it is budgeted. I wish we did not have a blow-out, if you want to call it that, of an extra 50,000 people needing procedures in the next four years, but we are financing that increase in people. That is your so-called blow-out. We also have a large number of police coming on stream. We have already said over the course of this government that in 2010 we are endeavouring to employ another 400 police officers. There will be a large number of child care workers and social service workers funded from our very significant injection into that area. Just track where the big expenditures are and that is where you will find the FTEs and the employment expenses.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, page 2.3. Can the Treasurer explain how many Public Service jobs will need to be cut if the saving figure of \$290.4 million over the forward estimates is achieved, and how would he intend to go about those Public Service job cuts?

The Hon. K.O. FOLEY: What I have said is \$25 million this year, \$75 million the next year and \$150 million the next year. What I have removed from the base is the front line services of government delivery, and I have exempted a number of agencies which are listed in the budget papers from any savings at all. I am concentrating on those areas where I believe we can make efficiencies in administration of government. You really cannot have your cake and eat it, too. You have just said to me I have too many public servants, and here I am dealing with efficiencies in administration of government, so you can hardly be critical of me doing that. The \$25 million starts

in 2009-10, my apologies. I have to foreshadow it in the next budget. We have to foreshadow where those savings will happen, and they can have a year's grace to identify those savings.

It is not going to be without some pain, but constant good management has to be about taking money away from those areas which are not providing front-line services and putting them into the pressures in the front-line services. We do not know the FTE impact at this stage, leader, until such time as the agencies identify how they are going to meet their savings objectives and give them to us in the run-up to the 2009-10 budget.

Mr GRIFFITHS: Referring to Budget Paper 3, page 2.3, I have some questions regarding shared services. The 2006-07 budget papers advised of shared services savings measures of \$130 million but said it would involve implementation costs of \$60 million. We cannot find evidence in 2007-08 or the 2008-09 budget where an updated figure on the savings from this initiative is actually detailed. However, page 2.3 of this year's Budget Paper 3 says only that 'savings measures announced in the 2006-07 Budget and in the 2007-08 Budget are proceeding'. Will the Treasurer please quantify progress regarding the shared services savings measures of \$130 million that were announced two years ago?

The Hon. K.O. FOLEY: The government has estimated annual savings in the order of \$25 million in 2007-08, \$45 million in 2008-09 and \$60 million from 2009-10 onwards. These savings targets relate to future ICT procurement reform and shared services reform. Future ICT delivered savings of \$25 million in 2007-08, and these savings are expected to grow in later years.

This is a very difficult task, shared services. What I said at the time on budget day was that we are confident that the ultimate savings target of \$60 million per year will be met. Whether we can do it in the exact year that we have forecast, there might be a little bit of slippage there. I am not yet prepared to say there will be, but there could be as this is a very difficult program to bed down. In terms of the savings being on track, we are confident that those savings are achievable and will be achieved.

Mr GRIFFITHS: Will the Treasurer confirm, then, that the \$25 million that was to be saved in the 2007-08 financial year is on track?

The Hon. K.O. FOLEY: Yes, that is correct, and the \$45 million in 2008-09, well, let us see what happens through the course of this year, but the \$25 million are in and we are aiming for \$45 million this year. Whether we will get that this year, we are hopeful—well, confident—that is why it is in the budget, but the \$60 million from 2009-10, that might slip a year. We do not know. We just need to see how it rolls out.

The two difficult things in shared services are that it is a very significant task that we are undertaking and, also, as I would hope the leader would recall from his time in government, capturing the savings at the bottom line in the Consolidated Account is another challenge altogether. It is one thing to get these savings occurring within an agency, but then trapping it back into consolidated is another. So we are working those issues through, the Under Treasurer is personally overseeing that and doing an outstanding job in that area, but it is not without its difficulties and I do not doubt that there will be some hiccups along the way.

Mr GRIFFITHS: The hiccups, no doubt, relate to the people who live in regional South Australia, who have spoken to me and who occupy some of the 256 full-time equivalent positions that have to be taken away from the regions as part of shared services. They are not overly happy either.

If I can continue with this line of questioning though, again on Budget Paper 3, page 2.13, can the Treasurer describe the Department of Treasury and Finance 'Operating initiatives' budget line labelled 'Shared services accommodation' which has a total spend of some \$28.4 million?

The Hon. K.O. FOLEY: Yes, that is the decision we have to consolidate. We always knew we would have to consolidate into one site. Concerning the consolidation of Shared Services into Grenfell Street prior to the budget, additional funding was authorised for Wakefield House but these payments are internal to government as Wakefield House is government-owned accommodation. Over the long term, the accommodation savings realised by agencies that lose staff through transfers to Shared Services SA will broadly offset the accommodation costs incurred by Shared Services SA. In the short term, obviously there will be a number of logistical reasons why this does not occur.

Where an agency loses staff to Shared Services SA, there are likely to be delays before they can achieve the associated accommodation saving, and it may be more cost-effective to wait

until the agency needs to make other accommodation changes in terms of avoiding unnecessary dislocation and fit-out cost.

Shared Services SA has to obtain accommodation ahead of the transfer date to allow time for fit-out and to ensure that it is available for occupancy from the date of transition. Suitable accommodation of the required size only comes onto the market infrequently, so Shared Services SA cannot always afford to wait until the last minute to secure such accommodation.

Shared Services SA occupies nine levels in Westpac House at present. As reform reduces the need for this accommodation over time it will be vacated by Shared Services SA, saving some \$4 million per year. So we have to take office space upfront; that comes at a lumpy cost. When those people are moved across and we get recurrent savings from fewer people and more efficient operations, they will leave redundant space behind, depending on where the lease is at with that agency.

It may be some time before they take a new lease out or reconfigure their office in such a way as to make the space saving, and then we capture that saving at that time. It is a protracted period and the essence of this has not been about getting short-term savings, it is about identifying a way where we can get at least \$60 million a year of recurrent savings in the long run for government from administration that we can then apply to front-line services.

The reality is, as I said with this health pressure, we have to keep looking at all different ways to save money to fund the cost pressures, and this is an eminently sensible way. I think we are dealing with two and a half thousand people, so it is not a small number of people, and if we can get it right, it will be a very good efficiency. I have to say that even that put against the pressures that we are under is one year's worth of health cost pressures—not even that probably—but these are things you have to do in government.

Mr GRIFFITHS: Based on your comment before of an additional \$190 million in health, I think it is only about one-third of that.

The Hon. K.O. FOLEY: Pardon?

Mr GRIFFITHS: I think you said before additional cost pressures in health of \$190 million.

The Hon. K.O. FOLEY: No, that was child services over four years; \$460 million, I said, was health.

Mr GRIFFITHS: I stand corrected. Continuing with the shared services theme, I refer to Budget Paper 4, Volume 1, program 3 on page 3.17. Treasurer, can you provide the details on the number of full-time equivalents who will comprise the \$17.9 million in employee benefits and costs under the shared services program?

The Hon. K.O. FOLEY: I am advised that that number currently covers the implementation team that is implementing shared services, together with those people who have already transitioned across. Some more will transition across through the year, so that number will be a moving feast as we transition more people across.

Mr GRIFFITHS: I am wondering whether the Treasurer is prepared to provide some estimate of what the numbers will be at the end of 2008-09.

The Hon. K.O. FOLEY: No.

Mr GRIFFITHS: Given that we have some degree of known cost for 2007-08 and you have the estimated result of \$9.18 million as the cost, are you able to provide me with figures as at 30 June 2008?

The Hon. K.O. FOLEY: We may have that number at a later date but we have a schedule of transition of public servants. As I said, this is not an easy thing to do and I do not want to jeopardise the transition and the process by putting detailed information into the public arena that may not assist us and does not provide any public benefit. We will have a look at the question and see what information we can provide.

Mr GRIFFITHS: The reason for my question is the fact that the estimate in the 2007-08 budget was \$6.25 million but now we have \$2.9 million more being spent on that, so I am asking for details.

The Hon. K.O. FOLEY: It just means, I assume, that we have transferred more people than we had budgeted. We will check that. I assume that is the answer but I may be wrong. We will get you that answer.

Mr GRIFFITHS: I refer to Budget Paper 4, Volume 1, page 3.48: the income statement. Treasurer, I am wondering whether you can provide details of why an additional appropriation of \$8.3 million for shared services is required in 2008-09? It is linked to the question I previously asked.

The Hon. K.O. FOLEY: We will get that answer for the member. It may be accommodation; we are not sure. We will get it checked. It is such a fluid process. It is very difficult. We report stuff in the budget at the time of signing off on the budget, but it is a fluid process, so we will get you the details that we can.

Mr GRIFFITHS: I refer to Budget Paper 4, Volume 1, page 3.49. Can the Treasurer provide details of grant payments to support the transfer of agency long service leave liabilities relating to administered arrangements associated with the shared services initiative?

The Hon. K.O. FOLEY: I couldn't possibly understand why you would want that, but I am happy to get it for you.

Mr GRIFFITHS: I have nothing else to read sometimes, I suppose.

Mr HAMILTON-SMITH: I want to move on to the question of public-private partnerships and how they are being dealt with. I refer to Budget Paper 3, page 2.5, which touches on this subject. I recall the Treasurer telling the house on 10 April this year:

When you make a decision to use a PPP you do a piece of work to decide what is the best financial option for procurement for taxpayers.

The effects of global equity markets certainly have increased the cost of private borrowing, and there are a few issues there, particularly the cost of private borrowing compared to government, and I want to ask whether the Treasurer or Treasury have re-done this piece of work for the PPPs and has the work altered any of the decisions about the use of future PPPs for the schools, prisons and the hospital?

The Hon. K.O. FOLEY: First, I hope the leader now appreciates what a PPP is. I have been saying to a number of the companies that we deal with that they should brief the opposition, not on the specific projects because that would be unlawful, to bring the opposition leader up to speed on what is a PPP because—

Mr HAMILTON-SMITH: You don't have a clue what a PPP is. Your Treasury officers gave us one version of your DBOM and you gave us another. So, I do not think you have the slightest idea. Before you throw those around, I would pull out the textbook yourself. PPP seems to be whatever you think it is on any given day. Anyway, have you re-done the work?

The Hon. K.O. FOLEY: I will take that question on notice, if I am going to be abused, Madam Chair.

The CHAIR: That is not an appropriate question. Answer if you have any information to supply.

The Hon. K.O. FOLEY: I have already said to the house, Madam Chair, that clearly the credit crunch has concerned me and I have asked my senior Treasury officers and PPP officers whether or not this is causing any issue with the PPPs where we are down to selected tenderers. My advice is no, it does not. The benefit of a PPP and why you choose to go with a PPP is not about the cost of capital: it is about the full value for money package and what the consortia can bring when you compare the public sector comparator to the price that will ultimately be provided by the private sector. Innovation—putting the commercial reality into operations, in most cases—will give you a better value for money proposition than the government using its cheaper borrowings together with managing the project itself.

A PPP is about bringing the private sector—the innovation and best practice of the private sector—into the management of a piece of public infrastructure that gets you value for money. It is not necessarily just the cost of capital issue. I think a bigger issue, and perhaps a better question to me would be—and I am not saying it was not a valid question; I said at the time it was a valid question—that it is more about the availability of capital, I think, than the cost of that capital. On both those scores I have asked questions of the officers of Treasury and I am comforted to date that the program continues as is.

Mr HAMILTON-SMITH: What does the Treasurer expect the gap at the moment to be between the cost of funds for government borrowing and the cost of funds for a private sector consortia that might be looking to build a PPP? Do you know what that gap is at present?

The Hon. K.O. FOLEY: I do not know. I do not know what cost of funds the private sector will obtain. It will depend on what the market is able to provide, and that will be part of the value and the analysis we will do for the package in total.

Mr HAMILTON-SMITH: Let me put the question in a slightly different way. Based on the much vaunted AAA rating, government is able to borrow at a discount to the normal private sector rate. Are you aware of the normal discount expectation for you to borrow as distinct from the market?

The Hon. K.O. FOLEY: I will borrow at a number of bases points below what the market will borrow at. I just ask the Under Treasurer then what the spread would more likely be for the private sector. But it will depend upon the risk involved in a project. The financial markets that fund these projects look at the risk that the entity is undertaking if it is successful. That is why I like a PPP, because that enables me to transfer the risk to the private sector. You would recall the famed Spencer Street Station PPP in Victoria where perhaps too much risk was transferred to the private sector. It had huge cost overruns which I think had to be met by the private sector—large amounts of money. I do not know what that debt was priced at, but they are decisions of the private sector consortia—as to what its costed debt will be and how that will impact on it.

When we analyse the value for money case, we evaluate all of the value of the proposal put to us, and one element would incorporate the cost of the capital. Notwithstanding that, as I have often publicly said, with these complex infrastructures, governments of all persuasions, even dare I say Liberal governments, have not been as successful in delivering public infrastructure as what the private sector is now proving its ability to do.

Mr HAMILTON-SMITH: I understand from your reply that you are now looking again at the viability of the PPP option—given changes to financial markets—with a view to assuring yourself that it is still the preferred option. Is that right or not?

The Hon. K.O. FOLEY: I will just say that these are very sensitive matters, and I would appreciate if you would interpret my comments correctly. Any reading of the comments I have just made, I would think, make it clear that, obviously—as any treasurer would do and I am sure as my officers do—at a time of credit uncertainty and when availability of credit is in question, we look at these issues. As I said, I have been advised—and I am comfortable in that advice—that things remain on track, that there is no revisiting these projects. Please do not misinterpret my comments, because they will, and could, have impact in the marketplace.

Mr HAMILTON-SMITH: That is why I asked you to clarify it.

The Hon. K.O. FOLEY: Well, you didn't; you made a statement.

Mr HAMILTON-SMITH: I said, 'Do I understand correctly that the Treasurer is saying this?'

The Hon. K.O. FOLEY: Well, you didn't.

Mr HAMILTON-SMITH: All right. Is it your understanding that any PPP provider would be required by government to carry monoline insurance?

The Hon. K.O. FOLEY: That is a decision for the consortia. They commonly do that to improve their cost of capital, particularly if they are issuing bonds. However, it depends on how these entities intend to fund these projects. A whole variety of instruments will be available to them, but that is a matter for the consortia; it is not a matter necessarily for me.

Mr HAMILTON-SMITH: You would not require—as the government—they to carry that form of insurance?

The Hon. K.O. FOLEY: No, we would not. That is a matter for them.

Mr HAMILTON-SMITH: Is that insurance still available to consortia and, if not, would that be likely to push up their costs and therefore the costs of their contract and project for government?

The CHAIR: Treasurer, I am concerned that this line of questioning is going beyond estimates. If you are not comfortable, please say so.

Mr HAMILTON-SMITH: Let the minister decide that.

The CHAIR: No; it is not for the minister to decide. In fact, it is for the chair to decide.

The Hon. K.O. FOLEY: I appreciate that we are straying. I am trying to be accommodating and helpful, but I will not say things that will put in jeopardy the process,

notwithstanding that I think that leader is on a fishing expedition. The advice I have been given is that the financiers of the consortia are likely to seek bank finance bonds which will come at a lower risk than the market bonds, given the current conditions in the bond market. Again, these are decisions for the private sector consortia. Each of these consortia have a number of major principles, so they will not risk the quality of their venture with any expensive or questionable debt; they will finance it as prudently as they can.

Mr HAMILTON-SMITH: In regard to the Marjorie Jackson-Nelson Hospital PPP referred to in Budget Paper 5, page 3.37, can you update the committee as to where we are with that project, in particular where we are with expressions of interest for response from potential PPP providers? Are we at that point? What is the program from now until financial close in regard to that PPP?

The Hon. K.O. FOLEY: I will say from the outset—as I have often said to the leader—that I do not know where he gets his numbers from on the rebuilding of the Royal Adelaide but, on the comparison that we have had done—and advice to me—it would cost at least \$1.35 billion to rebuild on the existing site, and about \$1.68 billion, I think, to build it on the new site. To build on the new site will take seven years from when we began the process and to rebuild on the existing site, I am advised, would take 15 years from when that decision is made. So, if the government—

Mr HAMILTON-SMITH: Just release the consultant's reports that provided you with all that information which you have kept secret, and we might believe you.

The Hon. K.O. FOLEY: We may do that. It is not the sort of information that you would normally put out and I am obviously not going to—

Mr HAMILTON-SMITH: Do not expect anyone to believe you then. You are just making a claim.

The Hon. K.O. FOLEY: Honestly, leader, if you think I would come into this place with my entire Treasury department sitting next to me and give information that is misleading, I find that offensive. I will ask the Under Treasurer: were the two numbers I have given the correct information we have been provided with?

Mr WRIGHT: Yes.

Mr HAMILTON-SMITH: Provide the consultant's reports.

The Hon. K.O. FOLEY: No, what you are saying is that either I am lying or the Under Treasurer of this state is lying. I am not going to involve the Under Treasurer in a political stoush, but I am presenting you with facts that I and my cabinet were presented with.

Mr HAMILTON-SMITH: The point of it is, Treasurer—

The CHAIR: Order! Leader, do not interrupt. I am calling you to order. Treasurer, had you finished?

The Hon. K.O. FOLEY: Madam Chair, the point of the exercise is this: I am not going to put information into the public arena that will in any way damage the PPP process. I am not going to put numbers to commercially disadvantage the government. I am looking at whether or not I make some information public or, indeed, I offer the Leader of the Opposition and his finance spokesperson a private confidential briefing on it, which will show that the cost of rebuilding on the Royal Adelaide site is \$1.35 billion, and we are advised it will take 15 years from the time it takes to make that decision. If you are saying you want to overturn whatever the government is doing on a PPP and start again, you might as well make that 17 years from now.

The other point is that we expect to get at least \$50 million a year, if not more—that is a conservative number in my view—of recurrent savings from the new hospital because it will be a better configured hospital. If you talk to any builder or any construction company, they say that it is much better to build a facility of this size on a greenfield site than what it is on a brownfield site. If you want to say that I am lying to the parliament, I would ask that you give that serious—

Mr HAMILTON-SMITH: No, I did not accuse you of lying, but the point is that until we see the consultant's report we do not know what you had commissioned. You may well have come in with a figure like that for a rebuild of the RAH, but it might have been a plan—

The CHAIR: Leader of the Opposition, this is not a debate, this is time for questions. Frame a question.

Mr HAMILTON-SMITH: If the minister needs your protection, I am sure he will seek it.

The CHAIR: He does not need my protection, but the parliamentary processes do.

Mr HAMILTON-SMITH: All right, let us get back to the question of the time frame for the Marjorie Jackson-Nelson.

The CHAIR: Treasurer, had you completed your answer then?

The Hon. K.O. FOLEY: No; I have given that answer. If you honestly think that I would mislead the parliament with a third of Treasury's intellectual grunt sitting in the chamber with me and put my career at risk, it really does go beyond the pale. In relation to the key milestones for the Marjorie Jackson-Nelson Hospital, we expect the expressions of interest to be released mid-2009. As yet, we have not nominated the date for the closure of EOIs, nor have we nominated a date for the short listing of proponents, but we would hope to be in a position to have released the request for proposals to the short-listed consortia by early 2010, close of the request for proposals also early 2010 and announce preferred respondent early 2010.

I do not know what our definition of 'early' is, but I would guess it is probably first half. I would expect to issue the RFP sometime in January, February, I would hope January maybe of 2010. It depends whether we are in caretaker at that stage. I would like to get it done before caretaker; that is, to close the RFP process so they are locked away for the incoming government and the incoming government—

Mr Hamilton-Smith interjecting:

The Hon. K.O. FOLEY: What do you mean?

Mr HAMILTON-SMITH: Am I understanding from your response that you are looking to financial close on the eve of the 2010 election?

The Hon. K.O. FOLEY: No, that is not what I am saying. If you just listen, Martin.

Mr HAMILTON-SMITH: Could you clarify that then?

The Hon. K.O. FOLEY: You have to learn to listen. I am saying that we will be issuing the RFP (Request for Proposal) in early 2010 and we will be closing the request for proposal early 2010. That may be before the election—I would have thought that, for neatness, it would be better—or it may be after the election. I would have thought that, for completeness and tidiness, it would be better to have that decision before the election. Again, I would like to be in a position to announce a preferred tenderer before the election. I doubt whether I will be in that position. I think that will be a decision that would be done post the election, given that I will not rush this process to get it out of the way to meet an election timetable.

Clearly, the tenderers involved will have spent many millions of dollars on their proposals. Many millions will have been spent by government. All the land works and the pre-site works will have been undertaken, and I believe it would be highly damaging to this state's reputation if the opposition were to say that it would scrap it, but that is a decision for you. Finalising of the contract, probably mid-2010, with a construction date to begin mid to late 2010. We would certainly not be at financial close by the election. There is a chance that we could announce a preferred tenderer, but more likely we would simply be at the close of the RFP stage. But again, those time lines could slip because this is a very large project and they are indicative only.

Mr HAMILTON-SMITH: I refer to the same budget line and subject. It is correct then that, whoever wins the March 2010 election, will be in a position either to proceed to financial close on the Marjorie Jackson-Nelson Hospital or, alternatively, review the entire arrangements and perhaps switch the PPP proposal completely to a brownfield rebuild of the RAH, if necessary?

The Hon. K.O. FOLEY: No, I hope that is not the way—

Mr HAMILTON-SMITH: Or stop the process altogether.

The Hon. K.O. FOLEY: If you are saying that, whoever the successful tenderer is on the greenfield site, you could say, 'No, as consolation you can have the brownfield site.'

Mr HAMILTON-SMITH: That is a commercial negotiation.

The Hon. K.O. FOLEY: We are not working on this project to an election timetable and we are certainly not going to do nothing for the next two years because you want to make this an election issue. You go right ahead and make it an election issue, if that is what you choose to do. My view would be that it would be an incredibly damaging position for the state if you were to campaign against this. It would mean that you are sending a single to the market that they had

better price in risk that the new government may not go ahead with the project. This is all about financial market sensitivity, construction market sensitivity and risk.

If there is a reasonable possibility that an incoming Liberal government could scrap this project, I think that will put a degree of uncertainty into the process that could be damaging. We will have to wait and see. I think that the reputation of this state through a sovereign risk argument is also a significant one. You will have to weigh that up. The only point I make—and I will see how much information I am able to give you before you make your decision on this, leader—is that, on all the information I have available to me, I am very certain that you and your cabinet would come to the same decision as our cabinet, that is, the new site is the best decision.

I will attempt and endeavour to give you as much information as I can before that date so that you can see for yourself on what we are basing our decision, and if you are then prepared to make a decision, well you do so at (I think) great risk to the state's reputation in dealing with the private sector on PPPs.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, table 1.3 on page 1.5. I am interested in which category on the operating statement payments for the government's present PPP commitments feature. Will the Treasurer provide a breakdown of PPP payments by project and value over the forward estimates for all PPPs in which the government is presently engaged? I realise that you might have to come back to us with that.

The Hon. K.O. FOLEY: The only actual payments that we have in there at present are the payments for the police station and courthouse PPPs which are already operating. I do have in the forward estimates expected payments for schools and prisons, but, as I would hope the leader would appreciate, I will not provide them publicly to him because we are currently in the negotiations and the tendering process and I do not want the consortia to know what I am expecting the price ranges to come in at. That is very much commercial in confidence data contained within our forward estimates.

Mr HAMILTON-SMITH: In regard to all these PPP projects—the Marjorie Jackson-Nelson Hospital, these prisons and schools—there will be these annual payments over the life of each project not only for the capital build and any on costs linked to it but also for the operation and day-to-day running.

The Hon. K.O. FOLEY: It is one payment: you do not pay for the capital. We make one payment to the consortia. You will see them come up on our GFS expenses as being 'other operating expenses', 'other interest expenses' and 'depreciation'. I mean, these things come on balance sheet. There was a time when you could keep these things off balance sheet, and I assume that you would have one expense line. We now take these things on balance sheet. For our purposes, we will have a notional interest and depreciation allowance, as well as an operating allowance.

Mr HAMILTON-SMITH: At what point will the parliament or the people of South Australia in one form or another be told, for example, regarding the Marjorie Jackson-Nelson Hospital, what the total cash outgoings will be for the entire project? That is to say, we know the government is claiming that it will cost \$1.7 billion, plus the cost of remediation, but what we do not know is the amount of cash that will flow out of the health budget until 2046 in total amount over the life of the entire project. The reality of it is, as I understand it, we will pay far more than \$1.7 billion to the consortia.

The Hon. K.O. FOLEY: Why do you say that?

Mr HAMILTON-SMITH: Clearly, they will want a return on their investment. They will not build it for \$1.7 billion and then just give it to us at cost.

The Hon. K.O. FOLEY: Leader, this is where I say, with all due respect—and I want to try to have this as a rational discussion and your people have been briefed on this—it is a total misrepresentation, and honestly the PPP people are even saying to me that they just find it bizarre that you would keep saying this—

Mr HAMILTON-SMITH: I have spoken to nearly all of them, Kevin, and that is not what they are telling me. In fact, they have told me some quite remarkable things about the government.

The Hon. K.O. FOLEY: They may well have done that. I am sure they would not tell it to your face because they would not want to upset a potential future premier and treasurer. Whether it is a \$1.7 billion hospital built by the private sector or a \$1.7 billion hospital built by the public sector, you have the cost of capital. What we would have is the cost of borrowing that money, together

with the cost of operating that facility and the cost of putting our nurses and doctors into it. You would be borrowing the \$1.7 billion yourself: you would not pay for it from some one-year windfall in revenue—that is nonsense. The \$1.7 billion that you borrow, you have a capital cost as a government. It is a constant payment over the life of the infrastructure, that is, 40 years, or unless you pay the debt down.

Secondly, you will have your own cost of maintaining that facility through maintenance and other costs associated with the facility. In this process that gets transferred to the private sector, as does the debt servicing, and we are left with the nurses, doctors and the other things that we pay for as government. You are comparing what the government would pay over the life of this project through its debt borrowings and debt servicing and its cost of maintaining and operating that infrastructure. When you throw into that the management of the build—that is, the private sector—we think the private sector will be much better at containing the cost of the project within budget than governments.

When you take those factors into account and compare that to the public sector comparator, my advice is that will be a much cheaper way to go. You cannot say that a hospital will lock the state into 40 years of lump sum payments. If it is a public built piece of infrastructure, it is just the same: you are locked into lump sum payments. There is no difference whatsoever. Even if you say, well, somehow you should have banked \$1.7 billion, you cannot spend the money twice. There would be an opportunity cost. There would be the cost of not paying that money off debt.

Mr HAMILTON-SMITH: You acknowledged earlier that the PPP will be borrowing funds at a higher rate than government. You acknowledged earlier that there will be costs to the private sector that go beyond what would be incurred to the public sector if it was a debt and build. It flows that it would be more expensive over the life of the project to meet those costs.

The Hon. K.O. FOLEY: Do I take it, Martin, that you are saying that in government you would not support PPP projects?

Mr HAMILTON-SMITH: I have to say that there are questions to be asked when there is no revenue stream.

The Hon. K.O. FOLEY: Why?

Mr HAMILTON-SMITH: The fact is that you will have to fund this PPP from the health budget while trying to meet the costs of doctors' and nurses' salaries, as we have seen this week.

The Hon. K.O. FOLEY: But, Martin, that is where your lack of understanding of budgeting is frightening.

Mr HAMILTON-SMITH: I think it is probably better than yours from what we have heard so far.

The CHAIR: Order! I have been indulgent in letting the discussion occur.

The Hon. K.O. FOLEY: If you make a silly statement such as '\$1.7 billion will come from the health budget that would otherwise be for doctors' and nurses' salaries', if you build it from within government resources where do you think that comes from? A stash of cash down the back of a sofa somewhere? It all comes from the health budget or the Consolidated Account. You may not be a proponent of PPPs, but every other state government, both Labor and Liberal, and the national government support them. Indeed, your government started the process with the police stations. Rob Lucas was a supporter of PPPs because he believed in the benefit of them.

Again, I will try to correct your understanding of these things. It is not just the cost of capital and the private sector will pay. There will be a spread in excess of the government's cost of capital. In many cases that higher cost of capital may not be much higher, I might add. It could be a couple of hundred basis points or, hopefully, less than that so we are not talking a big variation but it is a higher number. They have the ability to better manage the tendering and construction process than governments historically have shown ability to do, together with private sector commercial approaches to managing large businesses, together with innovation that the private sector when given an opportunity can bring to these projects.

We have the public sector comparator, so this is what it would cost us—probably touch wood in some cases because we are assuming we can deliver the project on budget or close to it within our contingency—but history would tend to suggest that does not always happen. We can compare it with the public sector comparator to know that we are getting value for money. These things are about value for money. We do not enter into a PPP unless we get value for money.

Mr GRIFFITHS: I refer to Budget Paper 3, page 2.20, specifically the \$29 million over three years commencing in 2009-10 for a ticketing system for public transport. We are advised that the Victorian Auditor-General recently revealed that Victoria spent about \$1 billion on its bungled ticketing system, while Queensland's ticketing system has cost \$138 million. The New South Wales government recently cancelled its ticketing system contract after 10 years of problems. In reaching the estimate of \$29 million, how have you determined that South Australia is able to provide a system at that cost?

The Hon. K.O. FOLEY: I have absolutely no idea. You would have to ask the Minister for Transport. I am not responsible for the ticketing system of the public transport system. I just give him the money.

Mr GRIFFITHS: I will be interested in that one.

The Hon. K.O. FOLEY: Hang on. You say 'interested'. Do you honestly think that I have information at my fingertips relating to all the projects which we enter into? My job as Treasurer is to manage the state's finances and to ensure that we have proper lines of accountability. I have as good a general knowledge as I can, but I will not answer questions outside my policy or portfolio area in the detail required. That is for a line minister.

Mr GRIFFITHS: I refer to Budget Paper 3, page 1.10, contingency funding. Can you explain what is meant by the term 'by use of provisions set aside in the 2007-08 budget and the 2007-08 mid year budget review'. Is this the emptying of contingency funds or slush funds to beef up the budget balance?

The Hon. K.O. FOLEY: I actually have some respect and regard for the member for Goyder because he does come from a very senior position in local government and appreciates finances. I think he does himself a disservice to tack those things onto the end. If he is not careful he will end up being like I was in opposition—and the leader is in opposition. Scurrilous! At least one of us should try to remain a bit classier than the likes of the leader and me.

It is not a slush fund and we do not run down our contingencies to beef up our bottom line. We keep prudent contingencies at all times—as the former government did—for a number of things. One is for unexpected or unavoidable expenditure that could come through the course of a year for wage outcomes that have not been settled and, indeed, provisioning for contracts and projects that have not got to a financial close. We take an estimate of what we think they are. Often we do not put money in the budget for those projects because we do not want to flag with the tenderers what we are allowing for these projects.

Mr GRIFFITHS: Continuing with this area on contingency budget lines, why has the amount of contingency funding increased from \$88 million in 2006-07 to \$142 million in 2007-08, up to a very significant \$335 million in 2008-09?

The CHAIR: Member for Goyder, what is the source of the figures for 2006-07?

Mr GRIFFITHS: I refer to Budget Paper 4, Volume 1, page 3.39.

The CHAIR: Indeed, the 2006-07 figures are there.

The Hon. K.O. FOLEY: I see, the honourable member is working backwards.

Mr GRIFFITHS: The three figures are for employee entitlements, investing contingencies and supplies and services.

The Hon. K.O. FOLEY: Suffice to say, depending on the EB cycle, the government must have prudent provisioning for wages outcomes, and they will vary from year to year. For example, this year education will come in at the same time as doctors. Next year we might have one or two, or something, so those numbers will vary. However, the honourable member can be absolutely confident that they are properly accounted for.

Mr GRIFFITHS: I think that, in reading other sections of the budget, the Treasurer has allowed for a 4.4 per cent increase in public sector wage costs for the year?

The Hon. K.O. FOLEY: No, we do not predict what we expect to settle our wages at. We will have historical data but we will not have prospective data. We do not disclose prospective data. We have historical data, I hope. Please show me if I am wrong.

Mr GRIFFITHS: I will have to find it. With respect to the \$210 million, which is shown as contingency appropriation for 2008-09 for supplies and services, will the Treasurer provide some details on what that would include?

The Hon. K.O. FOLEY: Let us just say that it has all sorts of things in it as one of our general contingency lines. It is a prudent contingency that includes a number of costs that we could expect.

Mr GRIFFITHS: Madam Chair, the reason I have a smile on my face is because I am rather surprised to hear that \$210 million is 'all sorts of things'. I would hope that the Treasurer can either provide that sort of information to me now or be prepared to take it on notice.

The Hon. K.O. FOLEY: The reason it is a contingency is because if it was not a contingency you would be providing all the details and then it would not be a contingency. The idea that it is a contingency is because you do not disclose what is in it.

Mr GRIFFITHS: So, they are secret dollars there for you to use?

The Hon. K.O. FOLEY: No, they are not. I am happy to give the honourable member a private briefing on it after. It is normal operating issues with government. There are a couple in there that I would rather not disclose because they are showing my hand.

Mr GRIFFITHS: I am not sure what answer I will get for the next question, but is the Treasurer prepared to indicate then what he thinks the 2009-10 contingency fund will be as part of his pre-election budget?

The Hon. K.O. FOLEY: No. What I can say to the honourable member is that I will not be bringing down a budget with a special election contingency. Whatever we bring down in the 2009-10 budget will be for the operating year 2009-10, and whatever we promise in the election will be what we would promise out of the operating surplus (that will be a published operating surplus figure), and any other savings we believe we may or may not be able to make up and above what is currently in the forward estimates for savings. I can give the honourable member a rock-solid guarantee that there will be no hollow logs or spiriting away of money to pull out. If I did that, that is being unfair on the opposition, and I have not done that before. I did not see the need to do it in the past.

Mr GRIFFITHS: I am sure the Treasurer understands the basis of my question given that, in the three-year figure provided on page 3.39, we have seen increases from \$88 million to \$142 million to \$335 million.

The Hon. K.O. FOLEY: As I said, we have a large number of enterprise bargaining negotiations currently underway. We must have appropriate contingencies for enterprise bargaining negotiations for both salary and any operating impacts that may emerge from those enterprise bargaining outcomes. Perhaps some of those agreements are split across a number of operating lines, and some of the EBs have come with resource implications. As the honourable member has seen in the recent teachers' EB, we have put non-salary resources on the table. What I am suggesting is that, perhaps, the honourable member will find that the impacts of EBs straddle those various lines of contingencies.

They are operating pressures and cost operating expectations that we have. They are not—I repeat 'not'—any so-called 'hollow log' in terms of government trying to hide. In the old days you might have got away with that with cash accounting, but, with the openness and the transparency put into budget papers (largely during your time in government), those days are long gone. You might have been able to hide things from the Yorke Peninsula councillors. What was your council—Goyder?

Mr GRIFFITHS: No, Yorke Peninsula.

The Hon. K.O. FOLEY: You might have been able to hide things in your Yorke Peninsula budgeting, so those meddling little councillors could not get their hands on what the CEO had tucked away, but we do not operate like that in the state budget.

Mr GRIFFITHS: I can assure the Treasurer that the attitude I bring to this place is exactly the same as I portrayed in my previous role. I refer to Budget Paper 3, page 2.40. Is the Treasurer able to provide some details on why the provision for capital slippage has increased from \$90 million in 2007-08 to \$120 million in 2008-09? Is that due to project delays?

The Hon. K.O. FOLEY: As you will see over the forward estimates, we are ramping up considerably our capital expenditure and, accordingly, we are increasing the provisioning for capital slippage, essentially. We accept that there is probably going to be some underspending as we significantly increase our capital spending.

Mr GRIFFITHS: Have any of the departments advised you of particular projects that they feel might be causing those delays?

The Hon. K.O. FOLEY: No. This is an assessment by Treasury across government. You ask every agency and they tell you, 'We'll bang it in on time, don't worry about that.' History would show that is not the case and, because we are significantly increasing our capital outlays, it would be prudent for us to expect that there will be some underspending at a higher rate than we are currently underspending in some capital areas. But I guess you just have to identify the big projects such as health and transport.

Mr HAMILTON-SMITH: Referring to Budget Paper 3, page 7.8, I note that it states:

Historically, there has been cost escalation compared with original projections associated with large capital investment projects. If cost escalations exceed the amounts included in the capital investment program, there will be a negative impact on the annual net lending outcomes.

Then it states:

A 1 per cent increase in costs for the capital program will increase expenditure by approximately \$14 million.

In the 2005-06 budget the government's 2008-09 net lending deficit was expected to be \$50 million but it has blown out 11 times to \$548 million. I am looking at the number of projects that have blown over budget—well over budget. I ask whether the government's net lending projection of \$548 million in the 2008-09 period and \$598 million in 2009-10 is a little too conservative. Is the minister concerned that future cost blow-outs in the infrastructure projects announced could throw out that figure?

The Hon. K.O. FOLEY: First, can I answer by saying that this is again a situation where you are misrepresenting—

Mr HAMILTON-SMITH: I am asking a question.

The Hon. K.O. FOLEY: No, you know you are misrepresenting it. To say that in the 2005 budget we had a \$50 million net lending deficit budgeted for and that in 2008-09 it is now \$550 million, so that is a blowout, is just untrue—and you know that. It means that in the 2006 and the 2007 budgets we committed to higher capital expenditure. We committed to an increased number of capital projects. In 2004-05 we budgeted for a net lending surplus of \$52 million. We, in fact, got a net lending surplus of \$119 million. In 2005-06 we budgeted for a \$10 million net lending surplus and got an \$83 million net lending surplus. In 2006-07 we budgeted for a \$118 million net lending deficit and received a \$71 million positive net lending result. So, in fact, every year we have out-performed what we had expected to do in the budget. But, to suggest to go from a \$52 million positive in 2004-05 to a \$548 million deficit in 2008-09 is due to budget blow-outs, is incorrect; it is due to committing to more projects.

The thing about the 1 per cent variation is that risk, I would guess, is in every budget paper we put out since I have been in office, and I guess when you were in office. It is like we say in the risk chapter: one per cent of wage outcomes above what we have provisioned equals the 100-plus million, or whatever it is. That is being prudent and putting out there for public consumption the very real risks that budgets face if we do not manage our costs. On major projects and capital works projects we already build into the numbers that we publish a sizeable contingency. Part of proper estimating of a project is to put in place a buffer—a contingency for cost overrun or scope creep, or any other cost impact through delays in constructing. That is already built in.

Again, that is why I say, though, a more prudent measure in some of these bigger projects, we now believe, is to transfer that risk to the private sector and have the private sector manage the risk and, if they cannot build the thing to their internal budgets, that is stiff Charlie, they are going to have to wear that. It is better transferring that risk to the private sector than having it always on our balance sheet.

Mr HAMILTON-SMITH: Moving to the question of debt in Budget Paper 3, Appendix B on page B.8, in relation to the \$5.23 billion in state debt due to be accrued by 2011-12, how has government placed that debt? Which agency or agencies take up that debt? Is it placed directly from each agency? From whom is the money borrowed, and what are the terms of the borrowings, generally—the larger amounts of the borrowing, including interest rates and terms?

The Hon. K.O. FOLEY: Again, the leader has been putting these misrepresented figures of \$5.2 billion into the marketplace. At present, on the general government sector, I think we are probably due to come in about \$80 million in debt, which is probably negligible.

An honourable member: It's \$82 million.

The Hon. K.O. FOLEY: Thank you. I appreciate the member's assistance. Perhaps the leader should have asked him this question and he could have explained it to him. At present, we are expected to come in at 2008 at \$82 million in debt which, for want of a better word, really is zero state budget debt. However, the debt level of the state is currently \$2 billion.

That \$2 billion is debt held by SA Water. When you corporatised SA Water, you did that to set it up as if it were a private sector company, and it must operate as a private sector company would and, for competitive neutrality reasons, you have to have a gearing ratio consistent with what a company would have in the private sector.

So that means that it is desirable and necessary and prudent for it to carry a level of debt, so we give SA Water guidelines for the level of debt that is appropriate for the gearing ratio that it has. It then provides a dividend to government, which you set up, of tax equivalents and a dividend to shareholders. So we are operating on the principle that you put in place.

The 5.2 that you talk about, state budget debt by 2011-12 is scheduled to rise to \$1.983 billion. So the comparison today is minus \$80 million in debt rising to \$1.983 billion in 2011-12. The other debt is 5.2 minus 2, so we will be taking 2 billion up to 3.2, and that is about a \$1.2 billion increase in debt. I would guess that is largely the desalination plant and slightly higher borrowings in SA Water with some of the capital projects.

That debt is almost entirely the result of a decision that I would have thought you support: that is, that we build a desalination plant. So that debt has to be recognised as an on balance sheet debt for SA Water. However, what we have said—that you have indicated that you support—is that we will recover the recurrent costs of that debt through the increase in water pricing, so that water pricing more reflects the scarce commodity that it is.

So, in fact, the budget debt we are talking about is \$2 billion, a very low gearing ratio for the size of our budget and the other debt is corporation debt within SA Water covered by its current operations and the extra one billion plus of debt incurred because of the desalination plant, and those costs will be covered through cost recovery through water charges.

Mr HAMILTON-SMITH: What would be the effect on that debt placement if the AAA rating were lost?

The Hon. K.O. FOLEY: What you mean by 'debt placement'?

Mr HAMILTON-SMITH: Would there be any cost to borrowings?

The Hon. K.O. FOLEY: You know there would; there would be a slightly higher cost of borrowing.

Mr HAMILTON-SMITH: I ask you to put it on the record so that parliament and the people can understand your answer.

The Hon. K.O. FOLEY: The AAA credit rating gives you the ability to borrow at a slightly lower rate than what it would be if you did not have a AAA credit rating. I have said that ad nauseam. What are you suggesting, Martin?

Mr HAMILTON-SMITH: What I am asking you is: are most of the instruments at fixed rates? Are they at variable rates? If they are at fixed rates, does that mean that if the AAA rating was to change there would be no impact? How would a change to the AAA rating affect—

The Hon. K.O. FOLEY: Well, Martin, different states borrow at different rates. It depends on what finance is available in the market, how they choose to raise that money and on whatever our finance authority (SAFA) acquires that debt in terms of the tenure of the loans that we enter into, but that is all properly managed by the SAFA board and the AAA credit rating would add some basis points to the cost of that debt, whatever it was at the time that we were borrowing it. But, as I said, the cost of the desalination plant would be recovered through an increased charge for water.

Mr HAMILTON-SMITH: On Budget Paper 3, page 5.8, did the budget have any advice or input from Standard and Poor's in relation to the high ratio of net financial liabilities—I think it is 94 per cent in 2011-12—in the non-financial public sector and the large amount of debt carried in government businesses?

The Hon. K.O. FOLEY: Well, we do not have a large amount of debt carried in government. I am the Treasurer; you may not think I do a very good job, but it is my responsibility, and we have a proportionate level of debt and the increased debt that we are taking—you would

have a fair point if we were not raising water charges to offset the cost of the desalination plant, but we are.

We do not have an ability to say to a rating agency, 'Listen, if we do X, do we still keep our credit rating?' We have a good ability, because I have developed a good strong personal relationship with the rating agencies, to the extent that we have a very good dialogue, but these people play their cards very close to the chest. S&P released a statement on the following day as it related to our budget that our budget was consistent with our AAA credit rating.

What it also said—that I have been again saying ad nauseam—is that we need to be mindful of our state debt level and that we are getting close to being at the extent to which we can afford to borrow. So what I am saying—and I have said this upfront—is that now, with all the capital projects that are in the can, we are well-positioned to maintain our AAA credit rating provided that both sides of politics show caution and consolidate their budgeting for the years ahead.

There can be no big spending at the next election, and I give this as a deliberate warning to the opposition, that you will put our credit rating at risk if you try to outspend the government. I will say this upfront that this state government will not be bringing down an expansionary budget at the next state election. It is not our intention to be outbidding the other side of politics, because we have prudently put into place a 10-year plan now in infrastructure that rebuilds to a large extent the major infrastructure needs of this state.

Anything of any size beyond that puts undue stress on the budget. The leader needs to be mindful of that when he talks about federation squares or ring-roads around the city or all the other weird and wonderful things—football stadiums at \$1 billion. These are unaffordable expenditures. He will need to show fiscal discipline if he is to maintain the quality of credit rating that this government has achieved, because I intend to.

Mr GRIFFITHS: Treasurer, I refer to Budget Paper 3, page 5.11, debt management, which states:

The framework for managing the debt of public non-financial corporations, such as SA Water, is determined by the individual corporations.

This differs from debt management in the general government sector. Treasurer, does it concern you that the government will substantially increase its debt for its public non-financial corporations, such as that required for the desalination plant, when it has no control over the management of that debt?

The Hon. K.O. FOLEY: That is just a silly comment. You say 'has no control'. First, we make the policy decision to borrow. Secondly, SA Water has a board appointed by government. Under your Liberal government, SA Water had its debt managed by Macquarie Bank; so, in those days, under your government, you let the private sector manage its debt. When I came to office, I mandated SAFA. The South Australian Financing Authority, of which the Under Treasurer is the chair—and we have both public and private sector people on that board—manages the debt of SA Water. SA Water's book of debt (its borrowings) is managed by SAFA. SAFA is Treasury. Treasury is government.

Mr HAMILTON-SMITH: I want to ask a question on mining royalties. I refer to Budget Paper 3, page 8.5, which states in regard to the state's economic outlook over the forward estimates that no allowance has been made for the economic impacts of the yet to be approved expansion of the Olympic Dam mine. As I understand it, we are expecting \$163.5 million in royalties. I am trying to align the facts of royalty collections with the government's rhetoric about the mining boom that is coming, which we all welcome and await, but by the measure of this budget, even if that royalty rate doubled or tripled, even if it quadrupled, it might get to \$500 million or \$600 million.

In Queensland, in the same week this budget was tabled, the royalty rate was \$3.5 billion and in Western Australia I think it was \$3.4 billion. I am trying to work out how the government argues on the basis of this budget that we are about to see a mining boom that will put Queensland and Western Australia in the shade. The royalty incomes projected in the budget do not seem to measure up with the government's public statements.

The Hon. K.O. FOLEY: I find your whole approach to this issue somewhat disappointing. For a start, we have never said our mining boom would put Western Australia or Queensland to shame at all.

Mr HAMILTON-SMITH: Dubai of the South, I think has been the language used by the Premier.

The Hon. K.O. FOLEY: As it relates to uranium, we have 35-plus per cent of the world's known deposits of uranium. My guess is Dubai does not have 35 per cent of the world's known deposits of oil, so put it into perspective. We are very fortunate with our uranium deposits. But with zeal almost, the Leader of the Opposition presents his argument that we are not in a mining boom, and he just hopes like heck that talks of a mining boom do not occur.

I do not know who you are talking to out there but many people, not within government, are talking about the excitement of the mining expansion in the state. In fact, one of my officers from Treasury showed me the article in *The Economist*, which he got to a few nights before me, where South Australia was referred to as a boom mining state along with Western Australia and Queensland. But it is all relative. Queensland, for a start, is a state with four times the population of ours.

As to Queensland's royalties, I do not know whether that is royalties per se or royalties plus that monopoly rent they have from owning the Queensland rail cars. They get a percentage of everything carted, which is a nice little monopoly to have. But mineral exploration expenditure in South Australia was up 78 per cent during 2007 to \$332 million, lifting the state's share to over 16 per cent of the national total.

This is a good news story. I think it is now 10 operating mines that have formed since we came to office. You have the outstanding Oxiana mine; Iluka has announced that it is going ahead in Ceduna, and you have a number of mines up in the Adelaide Hills. I am sure that the members of the Hills electorates are very thankful. Whoever has the seat around Strathalbyn has a terrific boom going on in Strathalbyn. Adrian, is that you?

Mr PEDERICK: Yes.

The Hon. K.O. FOLEY: I think there are some great mineral sands deposits out in the Mallee around Mindarie. This is being shared around the state. If you go through Strathalbyn, I reckon they would tell you that is a mining boom. Is it a mine the size of the big ones in Western Australia? No, but it is a mining boom nonetheless for those towns. When it comes to BHP, I know the scuttlebutt that the leader has been running around with and it really reflects poorly on him. The BHP ore body that it owns at Olympic Dam is the greatest known deposit of uranium anywhere in the world. On the last piece of advice I can recall, and I stand to be corrected, they have been unable as yet to find the full extent of the depth and breadth of that deposit because it is so large. I think they have probably even given up because it serves no real purpose now it is so damn large.

The open-cut pit will be larger than Escondida in Chile which is the largest open-cut mine at present in the world. It will take them six years and 1,000,000 tonnes of soil a day and probably \$6 billion to \$7 billion to dig the hole. They are exploring now their options of further underground expansion to provide cash flow to assist in the expansion of that mine. The initial forecast was that this was to be a \$6 billion expansion. That number has been exceeded significantly. I am not going to reveal my latest information on that number but it is a significant increase on that. That project is going ahead. By the time they get to the feasibility stage, they will have spent at least probably half a billion dollars to \$1 billion. We hope that it will go into a full EIS in the next few months, and that EIS will scope all the issues that need to be approved at a commonwealth and a state level, and this parliament will be asked to approve it through an indenture.

We would be hopeful—we cannot say otherwise—of mining work beginning in the next couple of years, but that is ultimately to be determined by BHP once it has gone through all its feasibility studies. It is not a project yet, because BHP's board has not signed off on it. Stranger things have happened in the corporate world, but, if I were a betting man, I would bet all my houses—I have a couple—on this, and I would not blink an eyelid. In fact, I would bet your house as well, Marty, and all those you have in Sydney. I would bet all of them that this is going to go ahead, but we are not going to put those royalty numbers into the budget figures until such time as that occurs.

I have not seen—not that I can recall, at least—a figure of \$160 million. I may have. We cannot recall those numbers. You might be right, but I have not seen those numbers. PIRSA (the department of primary industries) will have a discussion with BHP closer to production and, when it is appropriate to start putting those into the forward estimates, we will.

I talked earlier about vertical fiscal equalisation. Now when I talk about horizontal fiscal equalisation, we will lose a large percentage of those royalties as they are equalised to the other

states. So, we do not have an exact figure, but let's say we were to get \$200 million a year from BHP. We could lose as much as 70 per cent of those royalties, or even more. It could be that 90 per cent of those royalties would be lost to other states. So, the net benefit of getting \$200 million out of BHP could be \$20 million.

All that money (GST and royalties) goes into a pool and then, through horizontal fiscal equalisation—not to go through the principles—it gets spread. So, in a sense, a lot more public money will go into providing infrastructure up north than what we will be getting out of BHP in direct royalties. What we will get out of BHP—although payroll tax also goes back into the pool; I do not know whether the ratios are the same on payroll tax, but if we get more population, we can keep more of the extra payroll tax—is general economic activity from that mine. A lot of it will be trapped here and a lot of it will be shared with the other states.

Having said that, equally, with the mining boom in WA and Queensland, where they get all these extra royalties, they only get to keep a percentage of those royalties. It takes a few years. You capture some in the early years, because they only do a methodology review every five years. So, you capture a few of those benefits in the early years. It would be great if a five-year methodology review was done just before we pressed the button on BHP. It is an average of five years, so you lose one year every year. We get a few years upside but, in the end, it all washes through. I know that it is a complicated one to get our head around, but I think it is important that, in our discussions, we understand that the royalties come with a discount in terms of sharing that with the other states.

Why the Leader of the Opposition talks so negatively about the upturn in mining in this state is something I find difficult to understand. Even politically I do not understand why he is the way he is, except to say that he is negative on everything.

Mr HAMILTON-SMITH: The budget provides the facts, but I think there has been some over-spruiking of the upside here. There is \$24 billion worth of coal going off from the Eastern States, there is \$40 billion worth of LNG and oil projects—

The Hon. K.O. FOLEY: But what is your point?

Mr HAMILTON-SMITH: My point is that it is being over-spruiked by the government.

The Hon. K.O. FOLEY: No, it is not. We have never said that we are going to outshadow Queensland and WA. We have never said that.

Mr HAMILTON-SMITH: We need to be realistic because, based on that over-spruiking, South Australians are paying exorbitant prices for homes in Whyalla.

The Hon. K.O. FOLEY: What nonsense.

Mr HAMILTON-SMITH: Well, they are.

The Hon. K.O. FOLEY: What nonsense. People are not making decisions because we are saying what we are saying.

Mr HAMILTON-SMITH: You are beating things up that may not come to fruition.

The Hon. K.O. FOLEY: I am insulted by that. Do you think that people are dumb enough to—

Mr HAMILTON-SMITH: You can be as insulted as you like.

The CHAIR: Order! Once again, I allowed some interaction. Let us have some questions.

Mr HAMILTON-SMITH: We will move on to state taxation. I refer to Budget Paper 3, page 3.19, tax effort ratios by jurisdiction. I would be interested in the Treasurer's response to the Commonwealth Grants Commission findings that South Australia is working its tax rate higher than any other state, 12.6 per cent more severely than the national average, and the most severe of all states and territories. Based on the adjusted figures produced by the South Australian Treasury, matched with the Commonwealth Grants Commission findings, South Australia taxes 8.3 per cent more severely than the national average and is still the most severe of all states and territories. Does the Treasurer accept the Commonwealth Grants Commission finding, and what is his response to it?

The Hon. K.O. FOLEY: I am not in a position to dispute the Commonwealth Grants Commission findings. I would like to sometimes when it does not go my way, and when it goes my way I shut up about it and let the other states dispute it. Historically, Martin, I have been doing this

job for 20-plus years. I would like to go back and look at the taxing effort in your time in government.

Historically, South Australia has had a taxing effort increase in excess of 100—I think I am right in saying that—for a long time (if not always) because of the relative wealth difference between this state and the eastern seaboard states in particular, where there have been larger populations, smaller geographical areas and an ability to earn wealth and income in excess of what we can. We have to be mendicant. The truth is that we do require financial support from other states and the commonwealth to sustain our standard of living. We are a 1.5 million or 1.6 million city state, and the cost of services in rural and regional South Australia are very large in very small population centres.

State governments have historically taxed its community well in excess of an effort of 100. But in per capita terms we are the third lowest and that needs to be put into perspective. Western Australian taxpayers are taxed in the 2007-08 NYBR at \$2,990 per capita; we are \$2,061; Queensland \$2,314; Victoria \$2,396; New South Wales \$2,679; ACT \$2,925. So, in fact, we are per capita a low taxing state, but when it comes to effort, when they look at all the taxes you can have, they believe we overtax what we should be. That is true and that is because our quality of services in many cases are much better than those in other states, or we have to tax more because of the disadvantage that distance and a low population with a large geographical state causes on our government's ability to provide the money for its budget.

Mr GRIFFITHS: Referring to Budget Paper 3, page 3.12, table 3.7 and property taxes, one thing that really grabbed me when I was reading through the budget on 5 June was the 37.5 per cent increase in private property land tax costs and the increase in revenue from, I think, \$223 million to \$306 million. I note that since your first budget in 2002 through to this one there has been a very large increase in land tax revenues of 247 per cent. Is it your opinion that this substantial increase in land tax costs has reduced home rental affordability in South Australia, because obviously investors pass on that cost to their tenants?

The Hon. K.O. FOLEY: You can make assumptions as you like. I have said that we have received significant value from land tax and the owners of those properties have received significant capital gains, but just as I am sure the council of Yorke Peninsula did not reduce its rates when its valuations went up between 2002 and 2008, I think you more than anyone in this place would understand what happens in these situations. The revenue has been applied to essential service delivery in this state. I have had a strong land tax campaign against me run at the last election and I guess you will do the same at the next election.

Mr GRIFFITHS: I am only asking the question on the basis of the people out there who are trying to rent homes in a market that is less than 1 per cent vacancy rate and it is really hard to get into it. It is all a factor on it because people are not holding onto investment properties.

The Hon. K.O. FOLEY: I do not believe land tax is the reason people do not invest in property. Given the returns that are now available in the private sector market for property, of which I am an investor, I do not consider land tax a decision not to invest, but like everyone, even myself, I grumble when I get a land tax bill.

Mr GRIFFITHS: But, Treasurer, you would also recognise that returns are only realised when you sell the property. We want people to hold on to these properties and keep them available for rent.

The Hon. K.O. FOLEY: Not necessarily. You might gear against your property. You might buy other properties. It is all about additional net wealth to the individual.

Mr GRIFFITHS: Referring to Budget Paper 3, page 3.14, last year you introduced land tax avoidance measures, which were to commence from 1 July this year, to ensure that owners of multiple land holdings who were avoiding higher marginal rates of land tax by holding land in the name of different ownerships involving minority interests were caught up. My recollection is the advice in the 2007-08 budget was that this measure would raise \$5 million in 2008-09 when it was implemented. We have heard stories already of one concerned person who has indicated that their annual land tax liability is going to increase from \$14,364 to \$125,819 due to the changes. Treasurer, can you provide the latest estimate of the expected revenue raised through this measure for 2008-09?

The Hon. K.O. FOLEY: We do not have those numbers here. We will have a look at it on notice. In that situation that person was very lucky that they were able to receive a windfall gain at the expense of other land tax payers in the years preceding that, because this was an anti tax

avoidance measure. I have a bit of experience through various people I know around the place. I know what people were doing in the marketplace, and if I was someone who had been paying my land tax bill because I had not set up structures in which I could avoid it, I would be pretty annoyed that some people were able to—through lawyers and being very smart people—lawfully find ways—I am not suggesting otherwise—to avoid paying tax that other people had not been able to avail themselves of because they have either not been as clever, or they have not been able to avail themselves of the quality of advice that other people have.

If people are going to be unhappy with me I would rather them all be unhappy with me than some people being able to get away with avoiding land tax through various measures that they should not have been. My understanding is that this measure has been applied in other states, although I do recall a good friend of mine being really annoyed with me and the next thing they said was, 'Oh well, we'll get the lawyers on to finding another way to do it.' That happens in business, of course. It is lawful and it is more than appropriate and they are entitled to find ways to minimise their tax lawfully, but equally as a government we are entitled to find ways in which we can close those loopholes off.

Mr GRIFFITHS: Treasurer, I respect the fact that probably many in the higher end of the business market have talked to you about their concerns about land tax, but there are also many small investors out there who are worried about it and have decided to quit their properties because of the increase in charges. Do you think that all of this is adding to the rental affordability issue in South Australia?

The Hon. K.O. FOLEY: No, I do not. I think people will make individual decisions based on where they choose to invest and get the best return for their dollars. I do not think that people invest or not invest based on land tax. I may be wrong; you may well be a better judge of that. I would think most people invest based on the value of the capital gain which they estimate they will be able to achieve from that particular property. I accept that when people have multiple property holdings and the aggregation effect kicks in, then that may well say to an investor, 'We won't get property No. 3,' or 'We won't get property No. 4,' but I would say that would be a minimal number of cases. I would also say that people, at that point, may well want to diversify their investments anyway, but in the main I do not think it has a negative effect but, again, I could be wrong.

Mr GRIFFITHS: I refer to Budget Paper 3, page 3.14. Land tax on properties within the defined rural areas of the state is determined on two separate bases, depending on who the owner is and the extent of participation on running the rural pursuit on the property. I am advised that the reasons for these differences were apparent in the early 1960s. However, these reasons are not relevant today. Does the government intend to review these provisions within the Land Tax Act within the near future?

The Hon. K.O. FOLEY: We have no plans to review it at the moment.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, page 2.13. Will the Treasurer tell the committee how the RISTEC system will generate additional tax revenue that would not have been generated under the existing tax system?

The Hon. K.O. FOLEY: A pretty simple answer to that: much better technology; much better data matching.

Mr HAMILTON-SMITH: How much extra revenue are you anticipating?

The Hon. K.O. FOLEY: Quite a bit actually. The old taxation revenue management system was put in place in 1991, so she is getting on. The new system will increase revenue through better data matching and obviously through better technology. Budget Paper 3, page 2.13 actually shows it: 14 million by 2011-12. I am advised that, by the time it is fully operational, it could get upwards of 19 million. That should be seen as revenue that has been forgone. I suppose it is not forgone because the system is just getting near the end of its useful life, but we will get much better compliance out of the new system, largely through better data matching. The quality of the technology is such that it has much better compliance with the new system.

Mr HAMILTON-SMITH: Going to the GST and commonwealth funding—Budget Paper 3, page 4.6—in its seven budgets before 2008-09, the government reported its GST revenue receipts and the guaranteed minimum amount, which is the revenue amount that the government would have received under the pre-GST funding deal. The government receives about 400 million per annum from GST above what it would have received under the pre-GST agreement. I am interested that budget papers no longer report the guaranteed minimum amount.

The Hon. K.O. FOLEY: We do not have it any more. We are above it. Once you go above it, you do not get it any more.

Mr HAMILTON-SMITH: Are you keeping any measure of receipts above budget? That is to say, are you keeping a track of the amount of GST that you are receiving now above and beyond what you expected to receive and will that be shown in any future—

The Hon. K.O. FOLEY: The further you go out, the harder it is to know what you would have received, and we are really at that point now. Going back to my opening comments on the issue of vertical fiscal equalisation, I think I am right in saying that, pre-GST, the collective of states was receiving about 6 per cent of national revenue. That was a SPP number. We are now getting 4.5, as it relates to SPPs. It is a complicated thing, in the sense of getting the wording right, but I think the SPPs represented 6 per cent of national government income. It is now 4.5 per cent.

Mr PEDERICK: Treasurer, I refer to Budget Paper 3, table 3.6 on page 3.11. The 2006-07 Save the River Murray annual report states that, at the beginning of the 2006-07 year, there was \$7.2 million in the fund. Further, in 2006-07, a total of \$21.1 million was received into the fund and \$15.8 million was expended from the fund. Prior annual reports reveal that underspending of fund revenue has been a perennial problem since the levy was introduced by the Rann Labor government. How much of the Save the River Murray levy revenue will be left unspent in 2007-08?

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

Mr HAMILTON-SMITH: I refer to Budget Paper 3, page 4.5. What changes to the Commonwealth Grant Commission's GST revenue distribution methodology will the government be seeking in its submission to the Commonwealth Grants Commission ahead of the 2010 methodology review?

The Hon. K.O. FOLEY: I am advised that, in every methodology review, we submit a whole lot of argument, I guess; that is, information on what we think should be the commission's interpretation and assessment as it relates to South Australia. If I in any way try to suggest that I have a grasp of exactly what these people do I would be lying to the committee. I have a general understanding, but it is such an exact science that, I guess, occasionally, even senior Treasury officers would be struggling. It is about a series of criteria. We argue strongly. From memory, towards the end of the review, there is an interactive process with the states.

Mr HAMILTON-SMITH: I refer to the same budget line. What arrangements or structures are you putting in place in relation to the current federal government's announcement that it will form an infrastructure fund into which it will place surpluses, both capital and interest, to be drawn down at a later time? Is it your understanding that it will be a multibillion dollar source of funds for state governments to draw down on, or is it your understanding that the commonwealth alone will manage that money and decide on which projects it will be spent? Will we see this money trotted out during the state election campaign to pork-barrel prior to the poll?

The Hon. K.O. FOLEY: Since you have become opposition leader, you are not a nice person, if I can reflect on that. Sometimes you should be able to ask a question without being nasty in the asking of the question.

My understanding of the infrastructure fund is as a result of what has been published publicly and from discussions I have had as part of COAG and with the federal Treasurer and the infrastructure minister. They will be projects of national importance. The government has appointed Sir Rod Eddington to chair the board. There is a combination of private and public sector people on the board. We are fortunate to have Jim Hallion on there, not as South Australia's representative—he is the head of the Department for Transport, Energy and Infrastructure—but, rather, as a state person with knowledge of state procurement and infrastructure needs.

I recall reading a comment in one of the papers today that Anthony Albanese (the minister responsible) has made it clear to Labor backbenchers that this fund will not be used to fund pet projects of MPs or pet projects of state governments. It is about nation building, and an audit is underway at present to deal with the major economic bottlenecks of the nation and where the most urgent funding should be applied.

As I have said publicly, it may mean that states such as South Australia may not have as many urgent needs in the first round as, say, Western Australia's coal and iron ports and the coal ports of New South Wales and Queensland. My guess is that Dalrymple would be a monte to get money out of this fund because that is what is in the national interest. As it relates to us, it is the projects we are able to put up. The Premier and I in cabinet on Monday signed off on a submission

to the infrastructure fund. Urban congestion is an issue. There is also a capacity to fund some social infrastructure.

You should understand something about national governments, Martin. I should say the Howard government was good at pork-barrelling individual states, but I do not think for one moment that a Rudd Labor government would expend its capital—not political capital but, rather, real capital—on helping out a state government. I find that almost absurd in the extreme. It will do what is in the national interest and its political interest. If we benefit from that, all well and good, but I do not think they will sit in Canberra and say, 'How can we help Mike Rann get re-elected?' It does not work that way.

Mr HAMILTON-SMITH: I want to explore further the submission you put to Mr Rudd. You mentioned urban congestion and social infrastructure. Could you give an indication of the priorities in that submission? Does it mean that you would be seeking money, for example, for a hospital or road projects in Adelaide?

The Hon. K.O. FOLEY: I am not sure. Did the Premier not answer that question earlier?

Mr HAMILTON-SMITH: No.

The Hon. K.O. FOLEY: Did you ask him?

Mr HAMILTON-SMITH: No; I am asking you.

The Hon. K.O. FOLEY: I will not give you the answer because I do not have the submission in front of me. It is not my area.

Mr HAMILTON-SMITH: You must remember the general thrust of what is in it.

The Hon. K.O. FOLEY: I do, but I do not know what the status of that report is, whether it is confidential or whether it is a public report. We argued for economic infrastructure that we think the state will need over the next decade. We have no reason to keep the report hidden—far from it; quite the opposite—but I am not sure what the deal is with the commonwealth in terms of submitting it. This is a professional interactive process with the commonwealth government. It would do our state a disservice if we started to politicise it in terms of yelling from the highest mountain what we expect from a Rudd Labor government, because we may not get it. This is an interactive and mature process where the states have been asked to identify areas of most important economic need—and that is what we have done.

Mr GRIFFITHS: I refer to Budget Paper 3, page 3.20, GST revenues. Can you provide the latest figures on how much GST is collected by the commonwealth on each 1¢ per litre increase in the price of fuel at the bowser?

The Hon. K.O. FOLEY: I did ask once. I think it is about \$20 million, but I could be wrong.

Mr HAMILTON-SMITH: Has that increased?

The Hon. K.O. FOLEY: I have no idea. We will endeavour to get the information for you. In fact, we are seeing a softening in GST receipts. Why? Because of the cost of petrol. Nick Minchin said at the time we were having the political debate here that when people have to pay more for petrol they will shift their discretionary expenditure from goods they otherwise would purchase in order to pay for petrol. I think you will find that *The Advertiser* is finding a drop in circulation. You will see various other consumer goods suffering decline in sales as people switch from one discretionary expenditure to another. With higher interest rates to dampen down inflation, consumer sentiment has dropped to one of its lowest in many years, thankfully, as the community has got it that we have had to curtail consumer spending otherwise we would be on a terrible path with inflation.

Mr GRIFFITHS: In relation to the desalination project, I refer specifically to Budget Paper 5, Volume 1, page 54. My clear understanding is that you originally indicated that a sea water desal plant would need to operate continuously. Now you have confirmed that the Port Stanvac plant will operate only when required. Why has this position changed and are you able to provide details on what the cost of decommissioning the plant will be when production actually stops?

The Hon. K.O. FOLEY: There could be two reasons why I said that. One reason is that I may not have had any bloody idea what I was talking about, and there is probably a bit of that in there, quite frankly.

Mr GRIFFITHS: Is that the first comment or the second one?

The Hon. K.O. FOLEY: No, that is the first one. The second reason could well be that I did not have a bloody idea what I was talking about. From memory, when I made that comment, that was the advice I was given. It may well be that I am not the sharpest tool in the kit and I got that a bit wrong. Remember that, in the last five or six years, the world demand on these plants has been just astronomical, and with it comes increasing technology. I am now told that, depending on the need, there is a capacity to run these plants in a peaking capacity. It is not about decommissioning: it is about putting it into neutral. Please, I am out of my depth here, I really am.

Mr GRIFFITHS: 'Decommissioning' is probably a poor choice of words.

The Hon. K.O. FOLEY: It is a very poor choice of words.

Mr GRIFFITHS: Basically, it means stopping production.

The Hon. K.O. FOLEY: Well, I do not know. From memory, we were told that one of the reasons that made it not a particularly attractive public private partnership project was because there was a question mark over whether it would be running 24/7 or whether it would be intermittent. The minute you put intermittency into it you put a risk and a hassle into it that makes a PPP less desirable.

Mr GRIFFITHS: Given that you have done the work on determining that it is a stop and go operation—

The Hon. K.O. FOLEY: No, no. People smarter than I am are working out how this thing with operate. I am prepared to say that, hand on heart, I am not sure whether it will run 24/7 or intermittently. I keep getting told two different things. Let us just wait and see once the project is fully scoped and the people who advise SA Water on this stuff give us an exact answer. I am not prepared to commit to one or the other, because I am not an expert.

Mr GRIFFITHS: It is a \$1 billion dollar project, which you are intending to borrow funds to build. I would have thought that there would have been some good, consistent advice that would have allowed you to know exactly what you are talking about.

The Hon. K.O. FOLEY: That is why you probably should ask the minister who is overseeing the project.

Mr GRIFFITHS: You have been the public face of it, though. You have been the person who announced it.

The Hon. K.O. FOLEY: Well, I am a good looking bloke. You know, they want to stick my face out there when they need a good looking bloke. If they want a good looking woman, they will put Karlene out there. Come on, let's get serious. Don't try to make this more than it is. Initially, I had the understanding that it had to be a 24/7 operation. They are still scoping exactly how this project will operate, but I have since been told that it may indeed be possible to operate it more as a peaking plant. I am not exactly certain where we have landed on that. I am happy to ask the question. My advice would be that you ask that of the minister involved. I do not think it adds anything to the public debate about whether or not we have a desal as to whether the thing operates 24/7 or intermittently—10 months out of 12 months or 16 hours a day—I don't know.

Mr GRIFFITHS: Treasurer, I don't know a lot about it, either, but my assumption would be that there might be a greater use of chemicals to stop and start the production of the desalinated water. That may therefore affect the trial you are undertaking to determine what the discharge will be out into the gulf. It is an important issue.

The Hon. K.O. FOLEY: It probably is, I am just telling you that I am not the right one to ask because I am not sufficiently technically up to speed on it. I will forewarn—if one of my staff can make a note—the water minister, if she is able, to give a better answer. I am happy for you to say that Foley does not have a clue what he is talking about when it comes to the finer technical detail of a desalination plant, because you are right, I don't. I am a big picture man.

Mr HAMILTON-SMITH: That's good!

The Hon. K.O. FOLEY: Lighten up, Marty, come on. Lighten up. We have been here for hours. My wife never let me have a screwdriver in my hand to fix anything because I would bloody blow the whole house up—did on one occasion!

The CHAIR: One final question from the leader.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, page 7.9 with respect to WorkCover. It has been confirmed by the chair of the EDB that the government's own scheme has an unfunded

liability of around \$400 million. He gave that figure publicly. The government figure, I understand, is around \$1 billion for the WorkCover scheme itself—\$1.4 billion when you put those two together. Given that the legislation has passed, can the Treasurer give us an update of what he has provided for in the way of unfunded liability for both those two together, WorkCover and the government's own scheme?

The Hon. K.O. FOLEY: What you do mean, what I have provided for? I do not understand that. We do not provide anything to WorkCover.

Mr HAMILTON-SMITH: What is the unfunded liability now of both WorkCover and the government's own scheme?

The Hon. K.O. FOLEY: You will have to ask the minister responsible for WorkCover whatever the last published figure was. Once we get these figures we are duty bound to publish them. The last figure for WorkCover, I think, was in the high eights. I am told it was 911, and that is why we had to push the opposition tooth and nail to pass this bill through the parliament, given that your shadow spokesman—motor mouth Duncan McFetridge who says whatever comes into mind—said that you were not going to cut workers' benefits.

Mr HAMILTON-SMITH: When will you be in a position to deliver on the undertaking that was given to reduce levy rates for small businesses to a range of 2.25 per cent to 2.75 per cent?

The Hon. K.O. FOLEY: We have put that in our requirements to the people who reviewed it, and they have advised us that the legislation we have put in place will achieve that within the time frames we have published. Time will tell. We have brought our WorkCover scheme closer into line with Victoria. I would hope that the actuarial assessment underpinning the advice we have been given is on the conservative side. My guess is that it would be. But only time will tell when the liability is sufficiently under control and decreasing, and it will be for the board then to determine, once that objective is met. The objective that most concerns me is the unfunded liability—that has to be brought under control—but, when it is under control and decreasing, the board will make its own decisions as it relates to the levy rate, which is its charter.

[Sitting suspended from 18:30 to 19:30]

Departmental Advisers:

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

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

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

Mr A. Blaskett, General Manager, Government Accounting and Reporting, Department of Treasury and Finance.

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

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

The CHAIR: According to my information, we have Super SA, SAFA, SAAMC, Motor Sport Board, Funds SA and the Motor Accident Commission. The lines are already open.

Mr HAMILTON-SMITH: I begin with Super SA, Budget Paper 3, page 5.7. Will the Treasurer inform the committee of the detail of the average management fees charged per annum to a Triple S superannuation scheme account? How does that compare with other private sector funds?

The Hon. K.O. FOLEY: My advice is that our fees are very comparable with the private sector, but I am happy to come back to the committee with an exact breakup of those fees.

Mr HAMILTON-SMITH: Further to that, in 2007-08, how many public sector employees are salary sacrificing into their super accounts, and how does that compare with previous years?

The Hon. K.O. FOLEY: There are 9,000.

Mr GRIFFITHS: Given the recent changes to the Triple S scheme in allowing transition to retirement to occur, has there been much of a take-up rate of that through to 30 June this year, and what level of take-up are you anticipating for 2008-09?

The Hon. K.O. FOLEY: It is not operational until 1 July. It would appear that we have had quite a bit of interest, but it is not operational as yet.

Mr GRIFFITHS: Therefore, from 2008-09 have you made an assumption about the number of people who might try to access that option?

The Hon. K.O. FOLEY: This is very much a guess, given that it is a newly introduced product, but potentially up to 10 per cent. I find 10 per cent a fairly high number, but they say up to 10 per cent potentially.

Mr GRIFFITHS: It is available only to those above 55, anyway.

The Hon. K.O. FOLEY: Yes.

Mr HAMILTON-SMITH: Referring to Budget Paper 3, page 3.24, the third paragraph on that page, will the Treasurer explain why SAFA has 'excess capital' and why this will not be reduced by way of a larger dividend to government coffers until 2010-11?

The Hon. K.O. FOLEY: We have excess capital. I think we should acknowledge the fine work of Kevin Cantley and his team at SAFA for so prudently managing our state's finances as it relates to our borrowings and management of money within the financing authority. We have a schedule to reduce capital. We have excess capital, but we are not dumping it in one year. If I dumped it in one year I would probably be accused of taking a one-off windfall gain. In the old days of cash accounting you would spread it off over a number of years to help out your budget. There is no urgency to bring it back to the bottom line. We are forecasting to bring \$10 million or \$11 million back a year. I do not intend at this stage to make a sizeable return to the budget until post the next election year. I would not want people to think I am going to use it on some pre-election spending spree; I am not.

Mr HAMILTON-SMITH: Referring to Budget Paper 3, page 7.9, with respect to, in each case, South Australian Financing Authority, Funds SA and South Australia Captive Insurance Corp., what is the current exposure of these funds to the US subprime mortgage market?

The Hon. K.O. FOLEY: My advice is that SAFA has no direct exposure to the US subprime mortgage market. SAFA's ability to raise funding has not been impacted by the US subprime crisis. Throughout the credit crisis there has been a flight to quality with good demand for safer bonds and commercial paper. SAFA has a range of very highly rated financial assets, including its cash management products. These include AAA Australian residential mortgage backed securities, longer dated highly rated senior banking floating rate notes, and insurance related investments. While these financial assets have suffered adverse market value movements as credit spreads have widened, it has not impacted on the state's liquidity position. I am advised that insurance investments are placed with Funds SA.

I am advised that Funds SA has one debt manager that holds AAA-rated securities that contain some exposure to US subprime mortgages. This exposure represents less than 0.1 per cent of the Funds SA total portfolio value of \$13.5 billion. I will get that checked, because an earlier answer to the question from the shadow finance minister was whether we had any exposure to subprime, and I recall answering that we did not.

Mr GRIFFITHS: You said you did. I think you quoted the \$13 billion under funds management and that it was 0.0004 per cent of that, I believe \$5 million or something.

The Hon. K.O. FOLEY: In case there is any suggestion that I have misled the committee, it would have been on advice provided. However, as Richard has just said, one fund manager we have thought that there was an opportunity to take advantage of a subprime position and move in, expecting that the market had bottomed. Clearly it had not, but it was a very minor exposure.

Funds SA does not employ margin lending within its portfolio and is not associated with any margin lending strategies or operations. The bottom line is that Funds SA has been an extremely well-managed funds manager over many years, much to Richard's credit. It has consistently outperformed the benchmark, and we are still outperforming the benchmark; we are not losing as much money as other fund managers, so we are outperforming the benchmark. Clearly, it is very diversified and it is heavy in equities. There are some products on the outer extremity of the risk profile, the risk curve, which is appropriate in any well-managed fund.

Mr HAMILTON-SMITH: I refer to the same budget line. Have any of these funds—Funds SA, SAFA or SAICORP—invested in or hedged any funds either directly or indirectly through the following hedge funds: Macquarie Bank's Fortress Funds; Bear Stearns; Basis Capital; Goldman Sachs; Cheyne Finance; Landesbank Sachsen; BNP Paribas; or any other hedge fund exposed to that prime market?

The Hon. K.O. FOLEY: I do not know the answer to that. I am advised by the general manager of SAFA that the answer is no (you are very courageous there Kevin, I always tell my colleagues you never give a yes or no answer in this place); the advice provided by Kevin Cantley, is that, from SAFA's perspective, he believes there to be no exposure but, diligently, he will double-check that on the off chance that he has not given a correct answer. The chief executive manager of Funds SA also advises me that, from his recollection, there is no exposure but, for completeness of the exercise, he will ensure he checks that when he goes back. I can give that answer for all the entities under my control. Geoff, you have not been dabbling in that lot have you?

Mr VOGT: Not that I know of. We do administer through Funds SA.

The Hon. K.O. FOLEY: You can tell a former political adviser; he puts a big qualifier in there. However, we will check.

Mr HAMILTON-SMITH: Do any of these funds have an off balance sheet credit risk of any kind, or exposure of any kind, to overseas financial instruments, including derivatives?

The Hon. K.O. FOLEY: Quite appropriately, from SAFA's point of view, particularly with SAICORP, we use offshore derivatives to balance our interest rate risk, but that is a normal exercise of good financial management and risk management. We will get a more complete answer from SAFA in terms of whether there are off balance sheet entities. The market-to-market transactions are all balance sheet, but given that SAFA deals with very wide ranging products and financial instruments, Kevin will probably need to double check that. From Funds SA, I am advised that all their derivative transactions are on balance sheet.

Mr HAMILTON-SMITH: In light of that answer, in regard to interest rate risk, what is the Treasurer's current approved limit on measures of interest rate risk for SAFA's portfolios?

The Hon. K.O. FOLEY: We will come back to the committee with a more detailed answer, but the general manager advises me that all interest rate limits are approved by me and they vary depending on the instruments and the portfolio requirements. There are different interest rates limits obviously for the commercial entity in SA Water, as there are for the general government sector debt, but we will give you a complete answer on that.

Mr HAMILTON-SMITH: Thank you. I am just interested in the checking mechanisms. I am sure the CEO is doing a wonderful job, but if those limits and other matters come to you, are they checked by the Under Treasurer, or what is the double-checking process to ensure that Treasury is hands on regarding vital decisions?

The Hon. K.O. FOLEY: I whack out my calculator and I do a bit of an analysis, and I am the double checker. I am the Treasurer of the state: I am the chief financial officer—you have no confidence in me! No, a bit of levity, Madam Chair. All the decisions come via the SAFA board. The SAFA board is chaired by the Under Treasurer. Also on that board is a number of respected financial personnel. We have Claude Long, who is the former long-serving chief executive officer of the Commonwealth Bank in Adelaide. The head of SA Water sits on the SAFA board, Anne Howe. We have external directors including Barry Brownjohn, a former head of Bank America in Australia, which I think was an appointment under your government; Yvonne Sneddon, who served under a number of boards and I think the Ports Corporation under your government; and Len Foster who was a SAICORP board director and whom we took on to the SAFA board. I am not sure what his previous employment was, but again he was highly regarded in whatever field he came from.

SAFA was set up under the last Labor government but carried on in your term in office. It is chaired by the Under Treasurer. It has external directors, as well as internal government directors and, ultimately, the advice that comes to me is the responsibility of the board and the chief executive officer. That is as good a checking mechanism as I could have. I was having a bit of fun to suggest that I am the final arbiter of such complex matters as derivatives, interest rate spreads and so on. I take that advice from the Under Treasurer and the board and act on it. It would be very reckless and dangerous if a treasurer chose to second guess the advice of the eminent people we appoint.

The CHAIR: If there are no further questions, are we ready to move to SAAMC?

Mr GRIFFITHS: I refer to Budget Paper 4, Volume 1, page 3.35. At the bottom of the page it talks about dividends from the Asset Management Corporation. I note that in 2006-07 it does not show a dividend as being paid, but I am advised that in the 2007-08 budget there was an estimated result of \$12.3 million as being a dividend. Is that an error, are we reading it wrong or has something been missed?

The Hon. K.O. FOLEY: There was a remaining old asset from the horrible days of the past. We understand that there was still a lingering put option which may have been called on but which was not, and it would have cost the state \$12 million, or a lesser amount. For prudential management reasons SAAMC decided to keep back that dividend in case the put option was called on, but it was not called on and the building has been sold. It is one of those buildings that had been around for a long time, it was on the market and there was an old put option. To be careful, it was kept there just in case. It expires in November and will no longer be a liability, and that dividend is then free to flow back to government.

Mr GRIFFITHS: Is that on SA Water House?

The Hon. K.O. FOLEY: The old SA Water House. As you know, Shared Services SA is moving in.

Mr GRIFFITHS: If we look at the dividend amount—and it shows the \$4 million figure consistently as part of the 2007-08 budget in the estimated result and in this year's budget—is it intended to remain at that level or will you adjust that?

The Hon. K.O. FOLEY: I hope at some point we will wind up SAAMC. The advice Andrew gives me is that we are expecting to pay a \$4 million dividend up to 2011-12. At that point it is the intention to wind up SAAMC, which will probably see a dividend to government of \$40 million to \$50 million as the remaining asset base, plus the capital—a further \$52 million.

The CHAIR: We now turn to the Motor Sport Board.

Departmental Adviser:

Andrew Daniels, Chief Executive, SA Motor Sport Board.

The Hon. K.O. FOLEY: I put on the public record that Andrew Daniels, as was stated in the paper today, will be the new Chief Executive Officer of the Motor Accident Commission. I also take this opportunity to congratulate and thank Geoff Vogt for his outstanding leadership of the organisation for about 12 years. Geoff can be very proud of his management during that period.

The CHAIR: Congratulations to both of you.

Mr HAMILTON-SMITH: I agree with the Treasurer's comments in regard to both officers: Geoff has done an outstanding job and so has Andrew, and we wish Andrew well in his new role. Both sides of politics are proud of what they have achieved. I refer to the Motor Sport Board, Budget Paper 4, Volume 1, page 3.43. Will the Treasurer update the committee on the costs of the demountable stand, including purchase price and the annual construction and dismantling costs involved? Will this be financed through cash or borrowings?

The Hon. K.O. FOLEY: I am advised that the budget for the demountable pit pavilion—sitting at \$10 million—will not be exceeded. It will be on budget. It is an extra \$600,000 a year recurrent to put it up and bring it down, but this government respects the will of the people. I might add that is from within the existing budget.

Mr HAMILTON-SMITH: That is not what you were saying last year about respecting the will of the people. I have some quotes from you last year in estimates. You were threatening to garrotte the council members and bury them somewhere in the South Parklands.

The Hon. K.O. FOLEY: I probably have an anger management problem, just like you.

Mr HAMILTON-SMITH: I refer to Budget Paper 4, Volume 1, page 3.43. In relation to the demountable stand, has work commenced this month (in June) as was intended (according to *The Advertiser* of 28 April 2008)? Is it still expected that following the 2009 Clipsal event racing infrastructure will not be entirely removed until April/May 2009?

The Hon. K.O. FOLEY: We are finalising contracts now. What was the second part of the question?

Mr HAMILTON-SMITH: When will you start building the stand for next year—because you are hoping to have it in place next year—and when will it be entirely removed from the site?

The Hon. K.O. FOLEY: Hopefully, it will be up for the race. There will be a bit of strife if it's not.

Mr HAMILTON-SMITH: You were going to start putting it up in June and we are now in June.

The Hon. K.O. FOLEY: I can assure the honourable member that he will be well and truly catered for and housed at next year's race. Site works are beginning. You will start seeing physical activity in August and by October construction will begin. It will be up by Christmas and it will sit there through Christmas. The shades will be up by the end of January. It is all on track, looking good, fantastic, great decision.

Mr HAMILTON-SMITH: I am sure it will be fantastic, but it is not the best option, is it?

The Hon. K.O. FOLEY: I disagree. As I have said many times, I was wrong.

Mr HAMILTON-SMITH: I have said the same thing many times about you actually, come to think of it.

The Hon. K.O. FOLEY: If you want to continue to charge on with wanting to take planning powers from the Adelaide City Council, you can do that. Sometimes I have to admit I do not get it right all the time.

Mr HAMILTON-SMITH: I was just looking at the *Hansard* from last year's estimates. On 28 June you were inspired when you said, 'The only step I can see is to legislate...'

The Hon. K.O. FOLEY: Well, I was wrong. Have you never made a mistake? I am someone who is prepared to admit he is wrong. Sometimes you have to admit you are wrong to be right.

Mr HAMILTON-SMITH: Someone who is prepared to admit when he gets rolled by the member for Adelaide in cabinet?

The Hon. K.O. FOLEY: Not at all. We do not have votes in cabinet.

Mr HAMILTON-SMITH: We will not go there; we have been there. I refer to Budget Paper 4, Volume 1, page 3.43. Will the Treasurer tell the house about the costs involved in the planned resurfacing of the motor race track in Victoria Park, as well as the new kerbing and barrier costs?

The Hon. K.O. FOLEY: I am advised that it will be \$500,000 to resurface the track and a further \$250,000, approximately, for additional barriers and kerbing works.

The CHAIR: I want to know whether we are going to have an Australia Day picnic with all the shade.

The Hon. K.O. FOLEY: Is it in order for the chair to ask a question in such a committee?

The CHAIR: It is.

The Hon. K.O. FOLEY: An Australia Day parade?

The CHAIR: An Australia Day picnic under all the shade.

The Hon. K.O. FOLEY: I would not be wanting to suggest that we have an event in the Adelaide city Parklands, because we are only licensed to hold a car race a year.

The CHAIR: Very wise.

The Hon. K.O. FOLEY: We would not want to commit to doing anything else: we might get into trouble.

Mr HAMILTON-SMITH: The Minister for the City of Adelaide is the minister responsible for that question.

The CHAIR: It could be the Minister for Multicultural Affairs, for all I know. We will now move to Funds SA.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, page 7.9 (page 5.7 also deals with this). In its 2008-09 commonwealth budget, the federal government used a discount rate of 6 per cent to

value its superannuation liability. However, on page 5.7 of Budget Paper 3, the state government has used a discount rate of 6.3 per cent to value its unfunded liability.

At page 7.9 of the state budget it is stated: 'A 1 percentage point reduction in the discount rate would increase unfunded superannuation liabilities by \$1.8 billion.' By extension, an 0.3 percentage point reduction in the rate—in other words, equating our rate with the commonwealth rate—would result in a blow-out to the unfunded super position of a further \$540 million, taking it to over \$7.5 million in the 2008-09 budget, not the lesser figure shown. Why has the state government chosen to use a different discount rate to that of the commonwealth?

The Hon. K.O. FOLEY: That is a very good question. However, it assumes that the commonwealth gets it right all the time. We take a view, I am advised, that we use a rate that we believe is appropriate for the accounting standard, and the commonwealth does not. I am advised that the accounting standard we use, the international accounting standard, says that you should take the longest term bond rate in the market at the time, which is 6.3 per cent.

The commonwealth takes a view that you should take the long-term average. So, it uses a long-term average of the bond rate, which the accounting standard says we should do, which is the maximum long-term rate in the market at the time—a rate, I am advised, of 6 per cent forever. And bear in mind that the commonwealth government, up until the introduction of the Future Fund, has never attempted to fund its unfunded liabilities. State governments around the nation have taken a view that we should fully fund our unfunded liabilities, and we do that out of appropriations in each budget year. However, the commonwealth has not had an issue with that, and I guess that it is almost an academic exercise for it.

Mr HAMILTON-SMITH: What is that accounting standard that we use, and has it been used consistently in each past year or does it reflect a change in this year?

The Hon. K.O. FOLEY: I am advised that we used a fixed rate of 6 per cent until about three or four years ago, when the new international accounting standard, IASB119 came into operation, which requires the longest-term bond rate applying at the time of evaluating that liability, which is 6.3 per cent.

Mr HAMILTON-SMITH: Who made that decision three years ago?

The Hon. K.O. FOLEY: Do you think I would have? Do you reckon I would have had a fair idea what it all meant? Give me a break, crikey!

Mr HAMILTON-SMITH: Who made the decision to change the—

The Hon. K.O. FOLEY: I take that on advice from much smarter people in Treasury than I am.

Mr HAMILTON-SMITH: Who are those much smarter people than you?

The Hon. K.O. FOLEY: The Under Treasurer.

Mr HAMILTON-SMITH: The Under Treasurer made the decision to change—

The Hon. K.O. FOLEY: No, I made the decision, Martin. For goodness sakes, do not try to make something out of nothing.

Mr HAMILTON-SMITH: You are saying 'something out of nothing', but the effect of the change has been to understate the extent of that liability by \$542 million. That is a lot of money. If you were still using 6 per cent, which you were using three years ago, that liability would now show at \$7.5 billion. It would be a blow-out of \$2.5 billion, not \$2 billion.

The Hon. K.O. FOLEY: On advice from the Under Treasurer, I made a decision some three or four years ago that we should adopt the international accounting standard, which is, as I have said, IASB119 and which requires the government of the day to value its outstanding unfunded liability by the longest term bond rate on the market at the time, which was 6.3 per cent. The commonwealth has a different view. I have just been advised that, in previous years, Treasury has used lower rates than 6 per cent depending where interest rates were at the time. The commonwealth always uses 6 per cent. We had our discount rate at 5.2 per cent at some point, and the commonwealth still had 6 per cent. Up until the future fund, the commonwealth had no intention of fully funding its superannuation liabilities. It put 6 per cent into the marketplace.

Mr HAMILTON-SMITH: That gets back to the question: why did we make the change?

The Hon. K.O. FOLEY: Because it was the Under Treasurer's view and his advice to me that we should adopt the international accounting standard to put rigour around what discount rate we could use for unfunded liabilities. Imagine, Martin, if what you are trying to suggest to me is that I could manipulate an interest rate to reduce my unfunded liability. There are a couple of options for me. I could pick a figure. I could go to Richard and say, 'Hey, Richard, what's your long term earning rate?' What is your long term earning rate? It is 8 per cent. I could say, 'Well, Richard Smith in Funds SA tells me that if I borrowed to fund my own unfunded liability, I would get 8 per cent out there on the marketplace for it.' Then see what would happen.

I could make all sorts of assumptions. I could say that we might be 5 per cent. I could do all sorts of things to manipulate a number. We have taken an international accounting standard, and I am advised that other states (and I will check) apply IASB119. The federal government, through the Financial Reporting Council, some years ago encouraged state governments and those private sector entities (if there are some) that have defined benefit schemes to adopt the international accounting standard IASB119. The commonwealth has adopted it, but when it relates to its unfunded superannuation it has chosen not to adopt it. That is the commonwealth's decision, but we are following a protocol which other states have followed and which is an appropriate accounting standard.

Mr HAMILTON-SMITH: And which states the unfunded liability at a \$540 million advantage to what it otherwise would?

The Hon. K.O. FOLEY: If you are right, I will go back and do a piece of work on this, because I am advised that there were some previous years—and my guess is it was probably when you were in office, leader—when the rate was 5.2 per cent, below the commonwealth rate of 6 per cent. Therefore, the argument would be that when you were in office you overstated. It may not be when you were in office—it might have been when we were in office. I do not know when.

Mr HAMILTON-SMITH: Why would the government want to overstate the liability? I am just trying to work out the logic.

The Hon. K.O. FOLEY: The logic is quite simple. We are putting some rigour around how we select a discount rate. If an arbitrary decision is taken to select a discount rate, that is a very loose way to go to sorting out your unfunded liability. Because the commonwealth has stuck at 6 per cent for years, it is not what is at issue. The issue you should be asking me is: are we following international accounting standards to measure our unfunded liability? Yes, we are. A better question would be to the commonwealth: why did the commonwealth stick at 6 per cent?

Mr HAMILTON-SMITH: You have adopted a standard that is less rigorous than the commonwealth.

The Hon. K.O. FOLEY: No.

Mr HAMILTON-SMITH: Well, you are, in effect, because it is understating your liability. If you were using the commonwealth standard it would be showing at \$7.5 billion.

The Hon. K.O. FOLEY: That just shows the ignorance. You make an embarrassment of someone who would want to be treasurer. I have just said that the commonwealth applies no standard. It picks a figure. We are applying a standard, and we pick a figure of 6.3, because that is what the accounting standard says. Why wouldn't I say, 'If I am not going to pick a figure, which is what I am required to do by an international accounting standard, I will take what Richard just said to me and I will put 8 per cent in there.' Imagine if I did that!

I could probably come into this place with some justification to the punter out there that if Funds SA has earned 8 per cent per year for the past 10 years that is good enough for me, that is what I am going to earn into the future. I am not. I could say 7 per cent and, who knows, at 7 per cent I could probably get away with it, but I do not. If you go out there tomorrow, which I am sure you are probably very tempted to do, and state that we are understating our unfunded liability, that will be a gross misrepresentation, a foolish and silly thing to say, and I would hope, for once, in the absence of a cheap headline, you will listen to what you are being advised. This is not something that politics should be made of.

Mr HAMILTON-SMITH: The reality of it is that, if you had stated the 6 per cent you were using three years ago, the unfunded liability would show at \$7.5 billion. That is the reality of it. That is a fact. If it was still 6 per cent you would be showing at \$7.5 billion. You changed it; it is showing at less than that. They are the facts.

The Hon. K.O. FOLEY: How would I have arrived at a figure of 6 per cent? How would you arrive at a figure of 6 per cent?

Mr HAMILTON-SMITH: That is not for me to answer. You are the Treasurer and I am asking the questions.

The Hon. K.O. FOLEY: Okay, well, let me put this to you. If you became Treasurer, would you tell Treasury to ignore the international accounting standard and pick 6 per cent: yes or no?

Mr HAMILTON-SMITH: I think we are ready to move on to the next question.

The Hon. K.O. FOLEY: I am not answering another question until you give me an answer.

Mr HAMILTON-SMITH: I am not here to answer your questions. If you do not know how to manage your superannuation liability, that is your problem. You are here to answer the house on behalf of the parliament. If you like, we will just move on to the next question.

The Hon. K.O. FOLEY: Madam Chair, I am not going to answer another question until the leader tells me whether he would tell Treasury to not accept an international accounting standard and pick 6 per cent: yes or no.

Mr HAMILTON-SMITH: I will tell you when I will give you that answer—21 March 2010.

The Hon. K.O. FOLEY: So you are quite happy to put out a misrepresenting press release, but you will not say that that is what you would do in government?

The CHAIR: Are we ready to move on?

The Hon. K.O. FOLEY: No, I am not answering another question until he gives me the answer I have asked for.

Mr HAMILTON-SMITH: I think the Treasurer needs to read the standing orders.

The Hon. K.O. FOLEY: I do not actually have to do anything, Martin. Do you know what you have not taken into account? It does not matter what the figure is, at the end of the day, as it relates to the payback period. This government, like your government, is committed to fully funding superannuation liabilities by the year 2034. So, if your suggestion is we are doing it for some sort of dodgy presentation of the unfunded liability, we have to have it fully funded by 2034.

Mr HAMILTON-SMITH: Yes, but you are making a commitment to do that by 2034, aren't you?

The Hon. K.O. FOLEY: Yes.

Mr HAMILTON-SMITH: If the unfunded liability were larger, you would need to make a larger commitment, wouldn't you?

The Hon. K.O. FOLEY: What are you suggesting?

Mr HAMILTON-SMITH: I am just making a point.

The Hon. K.O. FOLEY: No; you answer me: do—

Mr HAMILTON-SMITH: I am asking questions; I am not suggesting anything.

The Hon. K.O. FOLEY: Will you reverse the decision? Are you telling me that I am politically manipulating this figure?

Mr HAMILTON-SMITH: I am finished with this, so—

The Hon. K.O. FOLEY: Well, I have not.

The CHAIR: Let us pause for a couple of minutes and work out which line we are on.

The Hon. K.O. FOLEY: No; no break. Martin, you cannot be as reckless and as foolish as you are now. You are getting caught out, mate. You say one thing, but you will not hold yourself accountable. The electorate is smarter than that.

Mr HAMILTON-SMITH: Well, we will test that on 20 March 2010.

The Hon. K.O. FOLEY: We will.

Mr HAMILTON-SMITH: I am happy to be judged.

The CHAIR: Are we still dealing with Funds SA or are we ready to move to the Motor Accident Commission?

Mr GRIFFITHS: Treasurer, I refer to Budget Paper 3, page 1.3, which states:

It is important to differentiate between movements in the net financial liabilities that are due to changes in interest rates or actuarial estimates of superannuation or long service liabilities, and movements reflecting the fiscal stance of the government's budget. The former are outside the control of the government, and their year to year impact on net financial liabilities can be quite large.

Treasurer, how do you define being on target to fully fund superannuation liabilities by 2034 if the government does not take responsibility for large unfunded liability blow-outs due to changes in interest rates or long service leave liabilities?

The Hon. K.O. FOLEY: What do long service leave liabilities have to do with unfunded superannuation?

Mr GRIFFITHS: They increase the cost. It is shown in the liabilities.

The Hon. K.O. FOLEY: We are committed to fully funding by 2034. What is your point?

Mr GRIFFITHS: The point is as it is raised in the budget papers. I am just seeking clarification from you.

The Hon. K.O. FOLEY: Say that again. I wasn't paying attention.

Mr GRIFFITHS: How does the Treasurer define being on target to fully fund superannuation liabilities by 2034 if the government does not take responsibility for large unfunded liability blow-outs due to changes in interest rates or long service leave liabilities?

The Hon. K.O. FOLEY: You are not reading the chapter properly. Before the leader starts shaking his head, it states:

It is important to differentiate between movements in the net financial liabilities that are due to changes in interest rates or actuarial estimates of superannuation or long service leave liabilities, and movements reflecting the fiscal stance of the government's budget. The former—

being interest rate movements—

are outside the control of the government, and their year to year impact on net financial liabilities can be quite large. Significant variability in the reported level of unfunded superannuation liabilities, primarily due to changes to the accounting treatment of superannuation, changes in the discount rate, and earnings on superannuation assets, has resulted in the volatility of net financial liabilities over a number of years.

We are not talking about the unfunded liability there: we are talking about the net financial liabilities of the state, which include the unfunded liability of super, which includes the long service liability. They are two separate things.

Mr GRIFFITHS: Super or long service leave liabilities?

The Hon. K.O. FOLEY: Yes, but that is not about unfunded liability: it is about your liabilities. It is not saying that we will not fund them by 2034; we are committed to that. What we are saying is that, in any year when we present our figures, we cannot be held accountable for interest rate movements, which are outside our control, as to how they impact on our liabilities, our financial liabilities in total. As Andrew says, they flow through in the backlog going forward but, equally, because of the volatility, you are up one year and down the next. You really have confused two things.

Mr GRIFFITHS: I refer to Budget Paper 3, page 1.7. On page 5.6 of the 2005-06 Budget Statement, you state that the pattern of payments is such that the unfunded superannuation liability will continue to rise until 2011 and then decline to reach zero in 2034. On page 5.8 of the 2006-07 Budget Statement, you state that the unfunded superannuation liability will grow until 2012 before reducing until the liability is fully funded in 2034. However, on page 1.7 of this Budget Statement, you state that unfunded super will continue to grow in nominal terms until 2014 before being fully funded in 2034. In consecutive years you have pushed out the period to which the maximum liability will be reached. When will that year be?

The Hon. K.O. FOLEY: Let us have a look at what has happened in the last couple of years. We have had a triennial review of our liabilities, and we have been upfront about that. Actuarial advice is that people are living longer and staying in employment, so there are those variables. We have interest rate variables, and in the last 12 months we have had a shocking crash in returns on our investment funds. That pushes out the hump. It is a formula set down—and I think your lot changed it in one year—by the Commission of Audit in 1993-94; I remember it well. My memory is that there was a change to the target date—Geoff Vogt, who might still be with us, might remember—whether it was brought forward, pushed forward, or whatever, by minister Baker, but I

do not want to discredit him. I am not criticising him for that because he was managing a budget in a very difficult period. The payback formula is a methodology put down 15 years ago, and it has not been changed by us. We are committed to it, and we adjust according to all the variables in front of us.

I am told that when the earnings of Funds SA were very strong a few years ago, the hump came forward. That hump is reported at the time that we bring down the budget. My guess is that, if you took a quarterly snapshot, that hump would jump around. Where we have had strong earnings, that hump has come forward. There is no conspiracy in this. It is all a methodology laid down by Stephen Baker in 1993.

Mr GRIFFITHS: I refer to Budget Paper 3, page 5.7, Unfunded Superannuation Liability. How does the Funds SA earning rate of minus 4 per cent in 2007-07 compare with other comparable funds as measured by a comparable funds management index?

The Hon. K.O. FOLEY: The five-year performance to Rainmaker median is 10.9 per cent. Our five-year average on a balanced fund is 12.9 per cent. Over three years it is 10.4 per cent to the Rainmaker median, to 12.5 per cent for our performance, and a one year performance positive 5.5 per cent on the Rainmaker median to positive 7.7 per cent for Funds SA, but, clearly, we are now in negative territory. That was to December 2007, so clearly in the last six months the industry is down. At the end of May, on balanced I am advised we were down minus 4.3.

Mr GRIFFITHS: I note that the Mid-Year Budget Review—and again that is out of date—was hopeful of an 8 per cent return but the scenarios have changed everywhere. Referring to page 7.9 of Budget Paper 3, can the Treasurer indicate the estimated losses incurred in 2007-08 by Funds SA in dollar terms and as a percentage of investment?

The Hon. K.O. FOLEY: As I said, we are down 4.4 per cent now. I do not think I can give you a dollar figure now. I do not know whether you are talking percentage or financial results, but the net assets of the Motor Accident Commission are down \$100 million. For Funds SA, I guess it is a larger figure, given the size. We can't give you the exact figure, but it would be many hundreds of millions.

Mr HAMILTON-SMITH: Is it in excess of \$351 million?

The Hon. K.O. FOLEY: Yes, it would be.

Mr HAMILTON-SMITH: In the case of the Motor Accident Commission, in excess of \$140 million?

The Hon. K.O. FOLEY: No, about a hundred, I think, but we are in volatile times. Is the member suggesting that the quality or my performance as Treasurer should be measured on the losses made by our funds management?

Mr HAMILTON-SMITH: We are not suggesting anything; we are just asking questions, seeking information.

The Hon. K.O. FOLEY: I have had a look at your personal share portfolio. How much do you reckon your share portfolio was down? I did not realise you had so many shares. I do not know how you will ever conduct yourself as premier with all these shares.

Mr HAMILTON-SMITH: It is a bit offensive if you've done that and you're about to read it out.

The Hon. K.O. FOLEY: Why? It is on the public record.

Mr HAMILTON-SMITH: It is just offensive, that is all. Would you like me to go and do a search on your business records?

The Hon. K.O. FOLEY: Please. It is all on the public record.

Mr HAMILTON-SMITH: It is just a bit beneath a professional Treasurer to—

The Hon. K.O. FOLEY: Well, you are casting aspersions on my capacity to be Treasurer.

Mr HAMILTON-SMITH: No, I am trying to reveal for the people of South Australia—

The Hon. K.O. FOLEY: Let us just say that your share portfolio—

Mr HAMILTON-SMITH: I am just trying to get accurate information.

The Hon. K.O. FOLEY: Let us say that on average—

Mr HAMILTON-SMITH: You are about as low as it gets.

The CHAIR: Order!

Mr HAMILTON-SMITH: Go right ahead, because I don't care.

The CHAIR: Leader!

Mr HAMILTON-SMITH: Go right ahead, because you are showing the people of South Australia just what sort of a human being you are.

The Hon. K.O. FOLEY: Let us just say that your share portfolio has performed worse than Funds SA or the Motor Accident Commission.

Mr HAMILTON-SMITH: What are the quantities? You don't know the quantities.

The Hon. K.O. FOLEY: I don't know the quantities, but what I do know—

Mr HAMILTON-SMITH: You are just crapping on; that's what you're doing.

The Hon. K.O. FOLEY: What I do know is that you have a lot of shares.

Mr HAMILTON-SMITH: You have no idea of the quantity, and you have no idea of the buy or sell date and you are just spruiking garbage.

The CHAIR: Leader!

The Hon. K.O. FOLEY: Are you going to sell your shares before you become Premier?

The CHAIR: Order! Everybody just be quiet for a moment.

Mr HAMILTON-SMITH: Look at this! This is a bloke who purports to be the Deputy Premier—

The CHAIR: Leader! Stop it!

Mr HAMILTON-SMITH: You aren't fit to be in this house.

The Hon. K.O. FOLEY: Why? It is on the public record.

The CHAIR: Treasurer, I am on my feet.

Mr HAMILTON-SMITH: To raise that in estimates like that is a true measure of the calibre of you as both a man and a member of parliament.

The Hon. K.O. FOLEY: You are very sensitive.

Mr HAMILTON-SMITH: No, I just think it's very revealing and I am going to make sure the media know all about it tomorrow.

The Hon. K.O. FOLEY: Good!

Mr HAMILTON-SMITH: That is a very telling remark.

The CHAIR: Leader of the Opposition, if you do not be quiet I will yell over the top of you as you have frequently done to everyone else.

Mr HAMILTON-SMITH: You should have pulled him up.

The Hon. K.O. FOLEY: Why?

The CHAIR: Be quiet! The Treasurer has maintained silence for a while. You have not. Now, everyone be quiet and we will get back to questions in a minute.

The Hon. K.O. FOLEY: Madam Chair, the available information is all on the public record. It is there for all to see as it is with pecuniary interests of politicians. I just do not know how somebody who purports—

The CHAIR: Order! Order!

The Hon. K.O. FOLEY: No, this is in order. I do not know how somebody who purports to be a future premier and treasurer can have a share portfolio of 26 shares, individual companies, many of which deal daily in the operations of this state. I want to know: do you intend to sell them, or how are you going to manage it, because this will be an issue between now and the election?

Mr HAMILTON-SMITH: I tell you what, I will answer that on 21 March 2010.

The Hon. K.O. FOLEY: So you won't tell the people of this state—

The CHAIR: Order, Treasurer!

Mr HAMILTON-SMITH: Because do you know what? I am not a minister of the Crown; you are, and I am not in a position to make any decisions on behalf of the government that affect—

The CHAIR: Order!

The Hon. K.O. FOLEY: I want to know: are you going to sell your shares?

The CHAIR: Treasurer, the matter of the Leader's shares is a matter of public record but it is not a matter for consideration in the budget estimates.

Mr HAMILTON-SMITH: However, since the Treasurer has raised it, you can rest assured that the opposition will be accessing every Labor Party member's personal records tomorrow—

The Hon. K.O. FOLEY: Please do so.

Mr HAMILTON-SMITH: —and going through them with a toothcomb, because if you want to go through this sort of stuff you will open a Pandora's box, and you will live to regret it.

The Hon. K.O. FOLEY: How can you make a decision on BHP Billiton when you hold shares in the company?

Mr HAMILTON-SMITH: I do not make decisions. As a minister of the Crown—

The Hon. K.O. FOLEY: You will with an indenture bill.

Mr HAMILTON-SMITH: I will deal with that like any other member when we are in government. At the rate you are going, that will not be very long.

The Hon. K.O. FOLEY: Okay.

The CHAIR: Order! Does somebody have a question that relates to the estimates payments? Member for Goyder.

Mr HAMILTON-SMITH: You have opened a Pandora's box now. Your friends are going to love you.

The Hon. K.O. FOLEY: Ministers cannot trade shares in a Labor government, Martin. I just want to know whether you intend to hold that high probity issue as well.

Mr HAMILTON-SMITH: Perhaps you would like to agree to the code of conduct that we have put forward—

The CHAIR: Member for Goyder, do you have a question?

Mr GRIFFITHS: Do I have the call?

Mr HAMILTON-SMITH: —as well as other measures we have put forward to lift the level of integrity and conduct in government.

The CHAIR: The leader does not have the call.

Mr HAMILTON-SMITH: You have opposed them.

The CHAIR: Therefore his microphone should not be on. The member for Goyder has the call.

The Hon. K.O. FOLEY: I just think you are going to have a problem doing your job in government with 26 different companies in your shareholdings.

Mr HAMILTON-SMITH: We are not in government, are we, Kevin?

The CHAIR: Member for Goyder.

The Hon. K.O. FOLEY: You had better declare an interest when you are dealing with the BHP indenture bill.

The CHAIR: Treasurer, calm down. It has been going well.

Mr Hamilton-Smith interjecting:

The Hon. K.O. FOLEY: I am quite relaxed about it.

The CHAIR: Leader of the Opposition, do something about showing some respect for the parliament.

The Hon. K.O. FOLEY: You like dishing it out, Martin; you just don't like it when it comes back.

The CHAIR: Member for Goyder.

Mr GRIFFITHS: I refer to Budget Paper 3, page 5.7 in relation to the government's unfunded superannuation liabilities again. Funds SA has \$13.1 billion in funds under management, or did have as at 30 June 2007, according to its annual report. What is the latest figure and does Funds SA have an estimate for the funds under management out to 2010 or any other forward estimate time frame?

The Hon. K.O. FOLEY: As at 30 April the figure was \$13.9 billion. It is very difficult for us to project that out much further.

Mr GRIFFITHS: At page 5.7 of Budget Paper 3, the 2006-07 Funds SA annual report refers to a management expense ratio of 0.59 per cent for the balanced product and 0.62 per cent for the growth product. The annual report also states that the management expense ratio is competitive by industry standards. What is the latest estimate for the management expense ratio for 2007-08 and can Funds SA provide a comparison with fees charged by funds managers in the industry?

The Hon. K.O. FOLEY: We will come back to the house with that number.

Mr GRIFFITHS: I refer to Budget Paper 3, page 5.7. What changes have been made to the investment managers used by Funds SA during 2007-08 and are any other further changes envisaged during 2008-09?

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

The CHAIR: Do we finally come to the Motor Accident Commission? We have been trying to get to it for a while.

Mr GRIFFITHS: Yes, I have Motor Accident Commission questions. I refer to page 7.9 of Budget Paper 3. What were the estimated losses incurred in 2007-08 by the Motor Accident Commission's investment fund in percentage and dollar terms? I think you quoted \$100 million.

The Hon. K.O. FOLEY: I think we said \$100 million. That is a figure below budget—\$117 million below budget—but it returned a positive 1.2 per cent. As we all know, and as Martin knows, it is a volatile time to hold equities.

Mr GRIFFITHS: Sorry, that was to which date? What period was that to?

The Hon. K.O. FOLEY: To the end of May.

Mr GRIFFITHS: Thank you. Unfortunately, we have had significant drops in the period since then, too.

The Hon. K.O. FOLEY: Yes. Equities are a wise investment for some. I think ministers of the Crown should not have equities. It is a very volatile portfolio. If that makes Martin sensitive—toughen up. I have property that has been crap. My Sydney property has had a negative return since the whole time I have owned it. I will wear that one on the chin.

Mr GRIFFITHS: So, land tax is not involved in that, too?

The Hon. K.O. FOLEY: No, I paid too much for an apartment. It is oversupply, and it has given me a very poor return capital-wise.

Mr GRIFFITHS: I refer to Budget Paper 3, page 6.6. What percentage of claims caused by rear end collisions are currently managed by the Motor Accident Commission?

The Hon. K.O. FOLEY: I am advised that 40 per cent of claims and approximately 20 per cent of claims costs are the result of rear end collisions.

Mr GRIFFITHS: At the same reference, who is the Motor Accident Commission's debt collection provider?

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

Mr GRIFFITHS: As an objective assessment, can the Treasurer provide details whether the service has been successful and what savings and extra collections have been achieved to date?

The Hon. K.O. FOLEY: I am advised that we believe it to be successful. We cannot give you the exact savings at this stage but we will get you some information.

Mr GRIFFITHS: I appreciate that. At the same reference, which former SGIC operations are still being managed by the Motor Accident Commission?

The Hon. K.O. FOLEY: Inwards reinsurance and some mortgage insurance.

Mr GRIFFITHS: When will they be finalised?

The Hon. K.O. FOLEY: As long as it takes, but it could be at least a decade.

Mr GRIFFITHS: At the same reference, what properties are held by the compulsory third party fund and have there been any acquisitions or disposals since 1 July 2007?

The Hon. K.O. FOLEY: I will come back to the house with that. I guess there has been. There is not very much direct property. We have 11 properties: two in South Australia, three in Queensland, one in New South Wales and five in Victoria. We will come back with some more details. The view taken by Funds SA is that it is simply a manager of managers in equities, unit trusts and property trusts, etc. MAC believes that holding a portion of property in its portfolio of about 10 per cent is a good balance.

Mr GRIFFITHS: Treasurer, are you and the Motor Accident Commission satisfied with the performance of these properties?

The Hon. K.O. FOLEY: Five-year returns on the properties have averaged 15.3 per cent compared to 13.8 per cent for benchmark. I wish my properties had done that well.

Mr GRIFFITHS: As an extension of that question, Treasurer, what is the estimated figure in 2007-08 in regard to savings from the prevention of fraudulent and exaggerated claims?

The Hon. K.O. FOLEY: Forward related savings of \$3.9 million were realised from 51 cases in the 11 months from 1 July 2007 to 31 May 2008. This compares with savings of approximately \$4.2 million on average annually from and including 2000-01.

Mr GRIFFITHS: My next questions relate to sponsorships during 2007-08. Can you provide details on how much was paid out in that financial year? Who actually received those funds? What are the purposes of sponsorship by the Motor Accident Commission?

The Hon. K.O. FOLEY: We will come back to the house with that information.

Mr GRIFFITHS: What is the current solvency level of the compulsory third party fund?

The Hon. K.O. FOLEY: It has certainly come down with the shakeout in the stock market, but, because it has been well-managed by Geoff and the board, assets as a percentage of liability were 124.7 and it is now 117.8, so we are still very solvent, but that is the sort of hit it has got from the stock market crash, which no one is immune from.

Mr GRIFFITHS: What is the estimate of compulsory third party claims from crashes during 2007-08?

The Hon. K.O. FOLEY: Claims incurred to date?

Mr GRIFFITHS: Yes, please.

The Hon. K.O. FOLEY: Actual, \$366 million; and that would account for adjustments for assumption changes.

Mr GRIFFITHS: I have one last question. I refer to Budget Paper 4, Volume 1, page 3.5. Treasurer, in the 2006-07 budget, in the Department of Treasury and Finance targets was the following:

Implement the framework for a centralised funds management model for the South Australian public sector.

The past two budgets have not provided any new information on this. Can the Treasurer give us an update on this matter?

The Hon. K.O. FOLEY: The central funds management legislation is still in the upper house; you have not passed it. We are still going ahead, assuming that it will happen. Our funds are voluntarily moving into Funds SA, but the actual legislative framework has not passed through the parliament yet.

Mr GRIFFITHS: We have finished our line of questioning, but I do have the omnibus questions to read into the record, 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 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 2007-08 for all departments and agencies reporting to the Treasurer, listing the name of the consultant and contractor, cost, work undertaken and method of appointment? By agreement with the Premier, that is for any consultant cost above \$2,000.

3. For each department or agency reporting to the Treasurer how many surplus employees will there be at 30 June 2008, and for each surplus employee what is the title or classification of the employee and the Total Employment Cost (TEC) of the employee?

4. In financial year 2006-07 for all departments and agencies reporting to the Treasurer what underspending on projects and programs was not approved by cabinet for carryover expenditure in 2007-08?

5. For all departments and agencies reporting to the Treasurer what is the estimated level of under-expenditure for 2007-08, and has cabinet already approved any carryover expenditure into 2008-09? 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 sub-category 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 2008; and

(ii) Between 30 June 2007 and 30 June 2008, will the Treasurer list 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 2006-07 and 2007-08 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 was subject to a grant agreement as required by his own Treasurers Instruction No 15?

8. For all capital works projects listed in Budget Paper 5 that are the responsibility of the Treasurer, please provide a list the total amounts spent to date on each project.

The Hon. K.O. FOLEY: I will get those answers. The information on the earlier question is that the bill has not passed the upper house because it has not been introduced; we are still argy-bargy with a few entities before we introduce that legislation.

Mr GRIFFITHS: No wonder I was perplexed.

The Hon. K.O. FOLEY: Exactly. Thank you, Madam Chair.

The CHAIR: Thank you, Treasurer, and thank you to the witnesses. There being no further questions, I declare the examination of the proposed payments adjourned until 27 June.

At 20:44 the committee adjourned until Thursday 26 June 2008 at 11:30.