

HOUSE OF ASSEMBLY
Thursday 25 June 2009
ESTIMATES COMMITTEE A

Chair:

Ms M.G. Thompson

Members:

Ms V. Ciccarello
Hon. I.F. Evans
Mr M.L.J. Hamilton-Smith
Mr T.R. Kenyon
Hon. S.W. Key
Mr A.S. Pederick

The committee met at 09:02

HOUSE OF ASSEMBLY, \$7,881,000
JOINT PARLIAMENTARY SERVICES, \$9,894,000
LEGISLATIVE COUNCIL, \$5,114,000

Witness:

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, Parliament Research Library.
Mr C. Grantham, Catering Manager, Catering Division.
Mr P. Spencer, Leader, Hansard.

The CHAIR: 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 appropriate time for consideration of proposed payments to facilitate changeover of departmental advisers. I ask the minister and the Leader of the Opposition if they could indicate whether they have agreed on the timetable for today's proceedings that I have before me. Is that your understanding, Premier?

The Hon. M.D. RANN: Yes.

The CHAIR: Leader of the Opposition, do you have that understanding?

Mr HAMILTON-SMITH: 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, 17 July 2009. This year the *Hansard* supplement, which contains all estimates committee responses, will be published on 2 October 2009.

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. Questions do not relate

to general policy. 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 must 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 the southern galleries.

I declare the proposed payments open for examination and refer members to the Budget Statement, in particular Appendix C. Premier, do you have any opening comments?

The Hon. M.D. RANN: I start by saying how much all of us, on both sides of both houses, owe to the staff of Parliament House. It is not an easy job working for us because of the difficult hours and difficult people, and I think that perhaps we do not say thank you enough, whether it is to the people in the library who give assistance or our catering staff who do a terrific job, often under great pressure. I am also talking about the staff of the House of Assembly, Legislative Council, *Hansard*, catering, library, finance and building services, the attendants who serve us so well, diligently and courteously, and the building services people who make sure that this ship runs. I am pleased to be able to say that this is the only parliament house that I know of (maybe also the Reichstag) that has a roof covered in solar panels.

I know a number of things have happened. Replacing the audio system in both chambers has been a significant addition and improvement. Refurbishing of seating in the House of Assembly chamber, again, has been a great improvement, and significant work has been carried out on plant and equipment to maintain this heritage building.

We are used to this place, but one of the things that always makes me marvel is that the people who are not used to it, who come here as visitors, whether school children or those who come at night with members, greatly appreciate the history of this building and the great events, from women's suffrage through to industrial reforms, Aboriginal land rights and equal opportunity. Sometimes, perhaps, politicians talk themselves down, but so many good things have been achieved in this chamber—and so much bipartisanship has been achieved in this chamber, much more than the public is allowed to know.

Please excuse my disposition today; I have the lurgy. It is nothing too dramatic, and I will do my best to get through the day with courtesy. Someone said to me that this is the first appearance in an estimates committee anywhere in the country since Godwin Grech. I do not think we will be anywhere near as controversial.

The CHAIR: Leader of the Opposition, do you wish to make any comments?

Mr HAMILTON-SMITH: As time is short, and there are only six minutes remaining for this consideration, I will be brief and just echo the Premier's thanks to all the staff of Parliament House. We very much value their work.

I will go straight into questions. I refer to Budget Paper 3, Appendix C, Table C.2, on the Legislative Council. Could the Premier advise the committee of plans the government may still have for reform of the Legislative Council? At last year's estimates, the Premier foreshadowed that he would provide details of proposed legislation on a referendum to either abolish the Legislative Council or offer up reforms. Where is the government with that proposal?

The Hon. M.D. RANN: An announcement on this will be made within the next six weeks. I have already said publicly that my view is that a referendum on abolishing the Legislative Council would not be successful, but I think most people would not support leaving things as they are. We have a bizarre situation where members of the Legislative Council are in office for eight years, and they do not have electorate offices but the claim is made that they service the whole state.

I think there needs to be reform of the Legislative Council. If you had vote on 'Do you want to abolish the council, do you want to keep it the same, or do you want to reform it and make it more efficient, and perhaps bring in four year terms so that you have both houses of parliament contemporaneous,' I think there would be more support for that. However, cabinet has not given consideration to a referendum bill from the Attorney-General. I understand he will come to cabinet within the next six weeks on that.

Mr HAMILTON-SMITH: Can I take it, from that answer, that at this stage the government intends to go ahead with a referendum and that reforms will be proposed?

The Hon. M.D. RANN: As I said, no decision has been made yet because cabinet has not dealt with it.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, Appendix C, table C.2, on the House of Assembly. Does the government still have plans to hold a regional sitting of parliament in the north of the state, or elsewhere, before the next state election?

The Hon. M.D. RANN: I would like to do that, and I think the last one—which was in May 2005, from memory, in Mount Gambier—was incredibly appreciated by the people of Mount Gambier. It was a demonstration that the parliament of South Australia was a parliament for all the people and not just for those here in Adelaide. It also gave an extraordinary opportunity for the huge numbers of school children and citizens who came to the Sir Robert Helpmann Theatre to see question time and to see our deliberations.

I have to say that it was hugely successful, but it was very expensive and it placed enormous technical challenges on the staff of parliament. It also placed some challenges on us; you may remember that we were on the stage and all the lights were on and, even though it was in late autumn or the start of winter, it felt as if we had the FBI lights in our face. I think most of us were dripping wet—and I do not mean politically—by the end of the question time each day.

I do not think we have any plans for this year; we did have, but I think it would be too expensive. It is something I would really like to do in the future, and I think there needs to be bipartisan support for it, because it is about the parliament not the government. As a government we regularly take the whole of the cabinet and all the heads of the Public Service to meetings. We have been everywhere from Coober Pedy to Penola to Ceduna to Port Lincoln and Spencer Gulf, and most other places—I think we even went to Bordertown. We will keep going with that process (we are going to have one shortly), but there are no plans to have a regional parliament this year. I think it is just too expensive. It might be something we can do every 10 years, and I think it would be good to have one in the Spencer Gulf area.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, page C.3, and the Parliamentary Network Support Group. There have been problems over the years with electronic and computer support to parliament through PNSG. How much funding was provided to PNSG in 2008-09 and how much funding will be provided in 2009-10? Is it adequate to support the needs of the parliament?

The Hon. M.D. RANN: I will seek some advice. It is under DTEI, which pays for it. Perhaps it is a question for Pat Conlon.

Mr HAMILTON-SMITH: Right. I refer to Budget Paper 3, page C.3. The Legislative Council budget has been cut in 2009-10. Which areas will be cut and will there be a reduction in staff?

The Hon. M.D. RANN: I have been advised that it has not been cut. The 2008-09 budget was \$5 million for the Legislative Council. The estimated result was \$5.3 million, and it is \$5.1 million in the 2009-10 budget and there has been a carryover. The increase in estimated result for 2008-09 was primarily the result of approval for the audio project (\$0.8 million within the chambers); balustrades (\$0.2 million); and a new transformer (\$0.5 million.)

The CHAIR: There being no further questions, I declare the examination of the proposed payments completed. I declare the following payment open for examination: portfolio of Premier and Cabinet; State Governor's Establishment, estimate of payment \$2,903,000. I refer members to the Budget Statement, in particular Appendix C.

STATE GOVERNOR'S ESTABLISHMENT, \$2,903,000

Departmental Advisers:

Mr C. Eccles, Chief Executive, Department of the Premier and Cabinet.

Mr B. Morris, Executive Director, Services Division, Department of the Premier and Cabinet.

Mr L. Jones, Director, Corporate Affairs Branch, Services Division, Department of the Premier and Cabinet.

Mr J. Loulas, Manager, Budgets, Corporate Affairs Branch, Services Division, Department of the Premier and Cabinet.

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

The CHAIR: Premier, do you have a statement?

The Hon. M.D. RANN: Yes, Madam Chair. I would just like to say that Chris Eccles, the Chief Executive, Department of the Premier and Cabinet, has been with us now for some months, and this is his first estimates hearing. He was No. 2 in the Victorian Premier's department.

I want, again, to take this opportunity to pay tribute to His Excellency and Mrs Scarce and also Hieu and Lan Van Le. Brilliant work is being done by our vice-regal representatives. This year His Excellency has embarked on another significant program of engagements, including an official visit to Thailand to further our trade interests. He also accompanied the Premier's Anzac Spirit School Prize recipients on their tour to the Western Front battlefields in Europe. This initiative offers year 9 and 10 students a once in a lifetime opportunity to take part in a study tour of great commemorative and educational significance. I think members opposite recognise that a number of the students come from country areas. They write me letters saying how it has changed their lives. During that tour His Excellency took the opportunity to officially call upon Her Majesty The Queen.

The Governor has also undertaken extensive industry and community visits; including visits to rural areas as well as remote and indigenous communities. In the coming year His Excellency is seeking to engage even more extensively with the community, especially aboriginal groups and young people. The Industry Visits Program is being expanded to enable His Excellency to promote the full spectrum of our state's industries to overseas and interstate visitors.

In order to ensure that it retains its status as our premier venue for diplomatic receptions and community recognition events, Government House continues to be meticulously maintained. Recent works have focused on ensuring that areas of the house requiring refurbishment or maintenance are given attention.

Mr HAMILTON-SMITH: May I just echo the Premier's thanks to our Governor, His Excellency Kevin Scarce and his wife Liz, and also the Lieutenant-Governor, Hieu Van Le, and Lan. We, like all members of parliament and South Australians, are thankful for the work they are doing with our young people, with those in need, and with community groups, charities and the multicultural community. They are to be commended.

I refer to Budget Paper 3, page C.2. What is the total cost to the government for services provided to the Governor, including the costs of running Government House itself?

The Hon. M.D. RANN: The 2009-10 figure is, as I understand it, \$2,903,000 which is actually down from the previous year, so it is costing less. The variance reflects the reduction in appropriation for funding received in 2008-09 for initiatives including the renovation of the first floor guest rooms, which cost \$90,000; the automation and surveillance of Kintore Avenue gates, \$80,000; and the infrastructure upgrade of Government House, \$170,000. Also, variance reflects additional appropriation received as a one-off in 2008-09 initiatives such as the renovation of the first-floor guestrooms.

Mr HAMILTON-SMITH: Apart from those renovation costs and physical costs to the building, could the Premier provide some additional information on the costs of specific services to the Governor's establishment and how that funding is spent?

The Hon. M.D. RANN: I have some here. There was the recarpeting of the state rooms of Government House where carpet was in need of replacement following around 50 years of wear and tear and hundreds of guests visiting the house each week. There was also a modest implementation of further stages of the garden bed design project moving towards more water wise and less labour-intensive plantings.

There was also a feasibility study into the refurbishment of roof, gutters and associated structures, and the installation of subsurface irrigation to significant plantings to enhance plant health and increase irrigation efficiency. I can get more details for you on the other services.

Mr HAMILTON-SMITH: What is the total annual remuneration package for the Governor including the pension plan?

The Hon. M.D. RANN: What I have here is a salary of \$245,000.

Mr HAMILTON-SMITH: And the pension plan arrangements?

The Hon. M.D. RANN: I don't have those here, but I would imagine they would be exactly the same as they have been for former governors. I am not aware of any changes.

Mr HAMILTON-SMITH: How many full-time equivalent staff are employed in Government House?

The Hon. M.D. RANN: I can get those figures.

The CHAIR: Are there any questions on my right? If not, I thank the advisers and declare the examination of the proposed payments completed.

DEPARTMENT OF THE PREMIER AND CABINET, \$133,840,000
ADMINISTERED ITEMS FOR THE DEPARTMENT OF THE PREMIER AND CABINET,
\$12,160,000

Departmental Advisers:

Mr G. Mackie, Acting Deputy Chief Executive, Departmental Affairs, Department of the Premier and Cabinet.

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

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

Ms P. Martin, Commercial Counsel, 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. Premier, do you have an opening statement?

The Hon. M.D. RANN: I do, and I apologise that it is a little bit lengthy. I think it is important, though, to say that the Cabinet Office has again played a significant role in developing, coordinating and negotiating state government policy priorities in national and interjurisdictional forums. The office effectively pursued South Australia's interests for COAG, including issues such as negotiating on a range of far-reaching financial reforms that delivered substantial increases to funding for hospitals and schools, and finalising the new intergovernmental agreement to establish a Murray-Darling Basin Authority, which I know everyone wanted. More recently, the office worked with the commonwealth in establishing the Nation Building and Jobs Plan.

The Department of Premier and Cabinet also led preparation of a court challenge against Victoria's restrictive water trading practices, responded to recommendations from the EDB's economic statement and helped incorporate appropriate regional variance into South Australia's Strategic Plan. The office also expanded the number of alliance partners associated with the plan. We now have 36 organisations that are actively working towards achieving specific goals in the plan. For example, Quit SA is working with Aboriginal Health Services to assist pregnant women and their families. The government staged five community cabinets during 2008-09, four in metro Adelaide and one in regional SA. I should say that since 2002, we have held 47 community cabinets where we take the entire cabinet and heads of the public service away with us and the 50th will take place later this year.

Services division: the Department of the Premier and Cabinet corporate traineeship program was implemented in June last year with a corporate graduate program introduced in February 2009 in line with the department's commitment to achieving targets in SA's Strategic Plan. The particular focus of the traineeship program is to provide opportunities to people otherwise disadvantaged within the labour market, notably Aboriginal and Torres Strait Islanders and people with disability. During 2008-09 the Protocol Unit coordinated more than 20 official visits to South Australia by representatives of international governments. Protocol does a terrific job and a huge amount of work goes on. Obviously, we have to put on these events, and they are very much appreciated. Protocol has also hosted more than 30 major functions and events.

In 2008-09 the department's commercial advice section oversaw the refurbishment of the Adelaide Stock Exchange building, which will be the home of the Royal Institution of Australia. RI Australia (the Science Exchange) will open in October this year in an event to be attended by a

senior member of the royal family. It is the first outpost of the Royal Institution of Great Britain to be established outside the UK in more than 200 years. It has delivered 10 Science Outside the Square events, and it has awarded the Maurice de Rohan SpiRit of Science scholarships to students from lower socio-economic regional areas.

In terms of sustainability and climate change, South Australia continues to win international recognition for the leadership position we have taken in hosting renewable energy investment. Despite the challenges imposed by the global recession, the state government is committed, in the 2009-10 budget, to significantly build on our reputation as a leader in tackling climate change.

We have just, in our most recent budget, committed \$20 million over two years for a new Renewable Energy Fund to support the acceleration of investment in renewable energy. This move will help establish renewable energy as the next big growth sector of the South Australian economy alongside industries such as mining and defence. The strategy, of course, already has led to some outstanding successes: more wind power than all of the other states and territories combined—56 per cent—30 per cent of domestic grid connected solar power, and around 90 per cent of the nation's investment in geothermal or hot rocks energy.

The government has also set a new target to generate 33 per cent of our state's electricity from renewable energy by 2020. The Prime Minister has given us a target of 20 by 20. We will reach 33 per cent by 2020, and that means that we will reach the Prime Minister's 2020 target about seven years ahead of time.

We recognise that this is a competitive environment and that we are now adding the Renewable Energy Fund to our strategies in order to generate even more investment. The fund will be managed by the RenewablesSA Board, which will be chaired by Bruce Carter, who is also Chair of the Economic Development Board. So, we are putting a renewable energy drive for our industry under our economic development head. Members of that board will include the chair of the Premier's Climate Change Council, David Klingberg, and the Chair of the Premier's Science and Research Council, Chief Scientist, Dr Ian Chessell. The fund will help foster innovation and investment in renewable energy, and that in turn will create green jobs in the renewable energy industry.

We have also, under our legislation, been making sure that we sign sector agreements in addition to the agreements I signed with the Property Council. Agreements are also in place with the South Australian wine industry, the Local Government Association and the Anglican Church. A further 20 agreements are being negotiated, including agreements with electronics, steel, urban development industries and the university sector.

In the 2009-10 financial year, we will also see the completion (in the next few months) of the one megawatt solar rooftop installation on the new Goyder Pavilion at the royal agricultural showgrounds. This \$8 million project will represent the largest rooftop photovoltaic installation in Australia.

Our Social Inclusion Initiative continues to tackle some of the state's most pressing social issues. We have continued to reduce primary homelessness, with an inner-city street count reduction of 45 per cent in the past three years. Through the Social Inclusion Board's work in school retention, South Australia's school retention rate has now reached its highest level in 13 years. We reported that 75.3 per cent of state school students, who began high school in 2004, will retain to year 12 in 2008. This is a really critical achievement. We used to be the leader in Australia in school retention. We dropped in the nineties, and we have now reached our highest level in 30 years, and that is a great achievement. I know the education department is working very closely with Social Inclusion.

The Innovative Community Action Network (ICAN) has demonstrated that, through community partnerships, new ways can be forged to assist young people experiencing difficulties to connect with learning. Nearly 80 per cent of young people who have participated in ICAN have re-engaged in learning and employment pathways. Many of these young people have prior histories of poor school attendance or were completely disengaged from school. Significantly, other states and territories, indeed, the commonwealth government, are following many of the initiatives we have applied throughout social inclusion initiatives.

It is very interesting to see that the Rudd government has set up its own social inclusion initiative that reports directly to the Deputy Prime Minister, Julia Gillard. Monsignor Cappo, our social inclusion commissioner, has been made deputy chair. What they are doing nationally is based on the South Australian model. Our approach has also attracted the interest of the World Health Organisation, OECD and various international governments including Canada and New

Zealand. I want to congratulate Monsignor Cappo and the board. I know that there are new references, including how we can get a social dividend out of what is happening in our mining and defence industries.

Just briefly, Adelaide Thinkers in Residence, now in its seventh year, has been spectacularly successful. When you think about it, a whole range of initiatives—climate change came out of Herbert Giradet's and Stephen Schneider's initiative, our science initiatives, including the RI come out of the work of Baroness Susan Greenfield, and work has been happening at Thebarton at the Bioscience Precinct with the incubator, with the input from our Thinker in Residence, Maire Smith.

Professor Andrew Fearne from the University of Kent in Britain has been working with our agrifood sector to maximise the value of products through the entire value chain from producer to consumer, and I keep getting good feedback about his work. Dr Genevieve Bell, who holds an Intel fellowship in the United States, has identified the opportunities and obstacles that exist for the further uptake of information technologies, particularly in rural and remote communities. Professor Laura Lee, who was head of Carnegie Mellon University's architecture school for several years in Pittsburgh, but is also a professor at a range of other universities, is looking at integrated design.

In addition, several previous thinkers returned to South Australia to undertake a range of projects, including: Ilona Kickbusch on health; Peter Wintonick, documentary film; Maire Smith, bioscience; and Susan Greenfield. Future confirmed thinkers include Fred Hansen, who is responsible for the public transport tram rejuvenation of Portland, Oregon, through TriMet, a world expert in terms of public transport. I am delighted that he has agreed to come because many of the things that we are doing are based on what happened in Portland, Oregon. Another future confirmed thinker is Judge Peggy Hora, whose area of expertise is justice.

What we want is for them to challenge us. They come to cabinet, they meet with ministers, they work with public servants, but they also have a range of project partners from outside government, not just the universities. For instance, Professor Laura Lee has project partners including the Barossa Development Board, Noarlunga council, the Institute of Architects and so on.

I have mentioned Rosanne Haggerty's residency, and we have seen out of her work Common Ground, a 60 unit supportive housing residence in Light Square, approved by Adelaide City Council in March of last year. There are already units up and running and there are more initiatives there, and I am pleased that Therese Rein has become the national patron of that area. Geoff Mulgan's residency culminated in the announcement of the \$6 million Australian Centre for Social Innovation.

So, in a range of areas the Premier's department is taking the lead. I have many more pages here but I do not want to take up the leader's time, but in a whole range of areas I have been very pleased with the work of the DPC and I am very pleased with the leadership given by the new CEO Chris Eccles.

The CHAIR: Leader of the Opposition, would you like to make a statement?

Mr HAMILTON-SMITH: No, I think we will get straight into questions. Budget Paper 4, Volume 1, page 1.3: Ministerial Office Resources, shows that the full-time equivalent staffing in your ministerial office is at 45.8, at a cost of \$6.593 million. How many actual personal positions does that equate to, and what do they do?

The Hon. M.D. RANN: I have seen various statements being put out by the opposition and they completely contradict each other. In fact, there was one put out yesterday, I think. This is according to a statement that has been put out by the opposition, I think it came from Steven Griffiths. It states, 'The number of ministerial staffers has blown out from 147 in 2002-03 to 212, a 44 per cent increase.' Interestingly, we went back and looked at other opposition press releases and, in fact, on Thursday 20 December 2007, the Hon. Rob Lucas MLC said that there were only 191 under the former Liberal government in early 2002. So, you have one senior Liberal saying that there were 191 under the Liberals, and you have one (yesterday) pulling that back by about 50 to 147.

Once again, I guess my advice is that you have to get your act together in working out, rather than just relying on whichever staffer comes in the room and again lets you down. I have a series of press releases here where you have different figures. I tell you what, people said, 'Oh, Rann's department, or his office, has grown,' but what happened is that the press secretary pool used to be under a different minister but was then put under my ministry.

Everyone knows that the press secretary pool are allocated to various individual ministers. You cannot get away with claiming (yesterday) that you had only 147 staff and yet your own treasurer at the time has revealed 191 staff under the former Liberal government. So, once again, you have to get your facts right. Someone is misleading you. Your staff are letting you down.

Mr HAMILTON-SMITH: Getting back to the question I asked, of the 45.8 people how many actual people are working in the Premier's office, and what do they do?

The Hon. M.D. RANN: I had 34.8—because some people, of course, do not work full time—in 2008-09, and in 2009-10, it is 35.8. But because the Media Monitoring Unit has been brought into my office structure, that is added to the total. It used to be under Michael Wright. So, that is simply what has happened. People said, 'Oh, there was this big blowout in the Premier's department's numbers,' and then it was pointed out at an estimates committee last year, or the year before, that is because industrial relations and Aboriginal affairs, and a range of other areas, were brought under the Premier's department to actually save money, save costs. So, it is about comparing apples with apples.

Mr HAMILTON-SMITH: What do the 45.8 people do? You have given a figure of 35.8 plus the media monitoring unit. Is that 10 people in the media monitoring unit? What do the others do?

The Hon. M.D. RANN: It is a bit like when you were a minister. I have a chief of staff (Nick Alexandrides) and deputy chief of staff (Jill Bottrall). Because I have a lot of portfolios, I have an arts adviser who covers that area of government. I have someone in the area of social inclusion. I have someone in the area of sustainability and climate change. I also have people who are the direct links with other ministries to ensure the coordinating process is strong.

Mr HAMILTON-SMITH: Of those 45.8 full-time equivalents, you mentioned some were part time. How many actual persons are there?

The Hon. M.D. RANN: I will take the question on notice and get the information for you.

Mr HAMILTON-SMITH: I refer to the same budget line, same page. Could the Premier explain why 45.8 full-time equivalents are needed—which, we will be advised, is more actual people—while the Prime Minister's office, according to the federal budget papers, has 42 personnel positions and the Deputy Prime Minister Julia Gillard's office has 17 personnel positions and the federal Treasurer has 15. It seems disproportionate that a state premier could require 45.8 full-time equivalents while the Prime Minister requires fewer and the Deputy Prime Minister and Treasurer require even fewer.

The Hon. M.D. RANN: I do not know why the Prime Minister requires fewer than John Olsen or Dean Brown or Rob Kerin or me, but I reckon if we did an examination it might be like comparing apples with oranges. You might find that some categories of departmental people are counted under ours, whereas they are not counted under theirs. I am not sure, but I can find out. It is exactly what happened under John Olsen.

There is one big difference. It was interesting to see Rob Lucas's statement, which totally contradicts the statement put out yesterday by one of your shadow ministers. It is very interesting that Rob Lucas does not mention that he spent \$100 million on a group of consultants to sell ETSA. It is one of the greatest disgraces in terms of the amount of money that was handed over. I remember the press conference, when I was criticised for calling one of the guys a gringo, when he held up a fist full of dollars and he said, 'What is all this about? There was a promise made not to sell ETSA, but \$100 million was spent on consultants. That is what the previous Liberal government was doing: it was doling out money to consultants.

Mr HAMILTON-SMITH: I refer to Budget Paper 4, Volume 1, page 1.12: Cabinet Office, budget and matters to do with cabinet. What was the exact level of road and traffic offences disclosed to him and his office by the member for West Torrens when you advised him of your intention to make him the Minister for Road Safety?

The Hon. M.D. RANN: I do not believe that is an estimates question at all.

The CHAIR: That is not an estimates question.

The Hon. M.D. RANN: You can ask me that in question time. You have to find the actual page number and show me exactly where it is, because that is rubbish and you know it. I just say that I think it is extraordinary. Here he goes again. The day you should have asked that question was the day that you dropped the dodgy documents. Even your own lawyer admits that you did not tell the truth, not only to the people of this state but also to your own party and your own leadership group this morning.

The CHAIR: Order! I repeat that the question is not an estimates question, as the Premier has indicated. Leader of the Opposition, do you have an estimates question?

Mr HAMILTON-SMITH: Is he refusing to answer any question about—

The CHAIR: Order!

The Hon. M.D. RANN: You should have asked me that in question time. You should have done it that day, but, basically, you had blood in your teeth and you showed recklessness. Being leader of the opposition requires caution and responsibility. Recklessness is not one of the traits people want in a future premier. That is the question you should have asked me that day, rather than accusing innocent people of criminality and corruption. That is why your leadership is in trouble, because you don't listen to people, you don't talk to people. What you do is get sleazy. Here we go again.

The CHAIR: Order! I want to make it very clear that the chair has ruled it is not an estimates question. Therefore, the Premier is not refusing to answer an estimates question. Do you have an estimates question?

Mr HAMILTON-SMITH: I will go to the issue of government-funded advertising. How much money has the government spent on budget-related marketing on TV, radio and newspaper advertising since the budget was handed down on 15 June?

The CHAIR: What is your reference?

The Hon. M.D. RANN: Can you find the line and page? That has always been the rule here.

Mr HAMILTON-SMITH: You have just told the committee that you have media monitoring and—

The Hon. M.D. RANN: But that is not the line. Come on, you have been here for a long time. You were a minister for half an hour. You have to tell me the page and reference.

Mr HAMILTON-SMITH: Are you refusing to answer questions?

The Hon. M.D. RANN: I am not refusing to answer questions. I want you to provide the reference.

The CHAIR: Order! The Premier is not refusing to answer any question when there is no appropriate question before the chair.

Mr HAMILTON-SMITH: I will come back to that question.

The CHAIR: Are there questions on my right?

Mr HAMILTON-SMITH: I think pages 1.7 and 1.8—

The CHAIR: Order, Leader of the Opposition! You have had a very fair go. Other members are entitled to ask questions. The member for Newland.

The Hon. I.F. EVANS: I have a point of order, Madam Chair. The opposition is entitled to ask three legitimate questions. You ruled a question out of order. That leaves one question standing. The leader is quite entitled to go to the next question, because you have ruled the third question out of order. We have only had two questions.

The CHAIR: I ruled the fifth question out of order. The member for Newland.

Mr KENYON: I refer to Budget Paper 4, Volume 1, Portfolio Statement, page 1.17. South Australians recognise the success of this government's Social Inclusion Initiative, but does this recognition extend beyond our borders?

The Hon. M.D. RANN: I have already mentioned some of this. As you know, it is one of the first actions of the government: we give a series of references to Monsignor Cappo and we ask him to intervene. It was not about throwing more and more money at a problem; it was about how do we do things differently.

We found some extraordinary things. I have to say that, very early on, there was resistance from one department straight after the election. Its representatives asked, 'What the hell has homelessness got to do with the Premier? Is it to do with housing?' Of course, homelessness is not to do with housing; it is about unemployment, social dispossession, alcohol and drug abuse and mental illness.

The fact that even the census shows that the only state where homelessness has gone down is in South Australia speaks for itself. That is not our figures. We put out our figures. The ABS census found that homelessness, I think, went up by about 19 per cent across the nation, except in South Australia, where it went down. I think that one day David Cappelletti's work will be even better known, because it is now being taken up internationally. I have received letters from people such as Jimmy Carter and others about the work that David Cappelletti has been doing.

As I mentioned, the commonwealth government has based its social inclusion approach on the South Australian model, and Monsignor David Cappelletti has been appointed Vice Chair of the Australian Social Inclusion Board. In addition, ministers and officials from other states and territories and New Zealand have sought advice from South Australia about developing and implementing social inclusion policy and action, learning from our seven years of experience.

The South Australian Social Inclusion Initiative has been included as an example in the World Health Organisation's Commission on the Social Determinants of Health report, released in 2008, called, 'Closing the gap in a generation: health equity through action on the social determinants of health'. For a state government to get in a WHO report, I think, is just extraordinary.

South Australia has become recognised as the national leader in homeless service innovation, establishing first of a kind programs in Australia, such as Street to Home, which assists people who are rough sleeping into housing, and Common Ground Adelaide, which provides supported independent housing for homeless people. The commonwealth government is now adopting South Australia's homeless reduction approach and programs modelled on our key initiatives.

The Innovative Community Action Network (ICAN), which has been re-engaging in learning for young people who have dropped out of school, won the SA Great Award for excellence in education in November 2007, and last year was showcased as a lead program at the first biennial Education Ministers Conference in Melbourne in December 2008. Ontario in Canada is planning to implement programs based on South Australia's ICAN model across the education sector.

This year in February Monsignor David Cappelletti was invited to present to the OECD LEED (Local Economic and Employment Development) forum held in Vienna on partnerships for social inclusion, drawing on the work of South Australia's Social Inclusion Initiative. What we are doing here is attracting national and international attention, because it is making a difference and doing things differently in partnerships.

Mr KENYON: I am interested in the homelessness side of things, so I again refer to Budget Paper 4, Volume 1, Portfolio Statement page 1.17. Why is South Australia considered a national leader with respect to the homelessness issue?

The Hon. M.D. RANN: The government's approach in reducing homelessness was recommended by South Australia's Social Inclusion Board in 2003. Our approach tries to prevent people becoming homeless; reduces the time that people spend homeless; focuses effort to get the most vulnerable people rough sleeping out of homelessness; provides a housing first response; and tightly monitors the outcomes being delivered. In 2008, the Australian government's Homelessness White Paper adopted all of these elements to achieve its strategy to halve homelessness by 2020, following South Australia's lead. Our approach has meant that South Australia was the only state to achieve a reduction in the number of people rough sleeping between the 2001 and 2006 census years.

Elements of South Australia's innovative programs are now being adopted in all states and territories. Street to Home is one such example, through which we locate, assertively case manage and house people sleeping rough in Adelaide. Street to Home houses people others have considered too hard to house. Since 2005, Street to Home has housed 292 people formerly rough sleeping into long-term sustainable accommodation. Some of these South Australians have been rough sleeping for up to 20 years and have been completely socially excluded within our community. Street to Home is now being implemented in every state and territory to tackle rough sleeping Australia-wide.

Common Ground Adelaide is another South Australian success story. As I mentioned, Thinker in Residence Rosanne Haggerty introduced this model to us, and Common Ground Adelaide is another first that is now going national. In the Franklin Street apartments, Common Ground combined a mixed tenancy approach by accommodating 37 homeless people and low income earners and support services directly connected to homeless people to meet individual needs. In 2010, a second Common Ground site will be developed in Light Square and a third is

being planned for Port Augusta. The Australian government has now adopted Common Ground as part of its national homelessness reform package. Victoria and Tasmania are establishing Common Ground housing models, and other jurisdictions are planning to implement this approach.

Mr HAMILTON-SMITH: Let us have another go at advertising. I refer to Budget Paper 4, Volume 1, pages 1.7 to 1.9, which outlines the government's targets and highlights for the year, which have been extensively advertised on television, radio and in print. A search of the budget papers finds nothing but muddy water on exactly where the money for extensive taxpayer-funded advertising has come from. It is wholly appropriate to ask the question of the Premier, so I go back to it. How much has the government spent on budget-related marketing on TV, radio and newspaper advertising to promote these targets and highlights mentioned in this budget line since the budget was handed down on 5 June?

The Hon. M.D. RANN: Can I say, first, that budget advertising has been done by your government as well as my government—Dean Brown, John Olsen and Rob Kerin. I remember seeing John Olsen in television ads introducing them.

Mr HAMILTON-SMITH: Yes, and I remember what you had to say about that when you were in opposition, too, Premier.

The CHAIR: Order!

The Hon. M.D. RANN: And I remember what your government had to say in response. Of course, there was the question about whether it is wrong for the Premier to be the person whose voice is used to front the advertisements. That has been the latest campaign. So, what happened this year? I did not have my voice on the television ads and I did not front the television ads. But it was still criticised, so I guess that is what you call politics as usual.

I can get the figures for the Leader of the Opposition, but these are the figures for my own department. I reckon both sides of politics thinks SA Great is a pretty good organisation. It was started back in David Tonkin's time. He was a terrific Premier, by the way, and a really good man. He met with business and media leaders and talked about how we needed to increase and boost confidence amongst South Australians, and SA Great was formed. I know a bit about SA Great because I was on its board about a quarter of a century ago—longer ago than that. Expenditure to 14 May 2009 was \$172,727. This is from my department, which is what we are examining. That was support for SA Great's campaign aimed at increasing retention of young people in SA.

We paid \$13,971 for the soccer super screen in Elder Park for Adelaide United's Asian Cup campaign. We participated in Australia's promotion of John Olsen's G'Day USA campaign, which I think all of us thinks has been terrific, and my department contributed \$125,000. South Australia did particularly well—we had the Australian Symphony Orchestra at the Carnegie Hall—and I thank John Olsen for his work. I think he was an outstanding consul-general in Los Angeles and New York and never played politics. He was incredibly helpful to me, Kevin Foley, and others.

We contributed \$77,214 to the Master Builders Association for the Building Ideas TV program (I think that has been going for many years) and associated activities. There were 17 episodes of three minute segments. There was \$8,721 for state water issues. There was \$68,606 for the Tour Down Under advertising campaign. I do not think anyone can criticise that. Just remember we had the greatest turnout we had ever had—about a quarter of a million people turned out. We had tens of thousands of people come from interstate and overseas, and I think we got a four or five-fold increase in worldwide coverage, so I am not going to apologise for the \$68,606 that we spent on advertising the Tour Down Under schedules and events.

I know the leader would strongly support the fact that the Premier's department committed \$4,305 to communicate the government's sponsorship of Carnevale. Of course, we helped Carnevale move from its location in the Parklands, which elderly people had found too hot on the hottest days in February, to the royal agricultural society showgrounds. In regard to the Olympic homecoming parade and advertising to promote public events surrounding the return of Australia's Olympic team, we spent \$43,457. There was a Spencer Gulf campaign costing \$28,542. There was the Mid-Year Budget Review which cost \$21,810.

There was the Premier's Reading Challenge, which has been incredibly successful, which cost \$141,257. It is about encouraging student enrolment in the reading challenge as part of a key literacy program in our schools. It has been embraced by public, private, Catholic and other Christian schools, as well as other faith schools. There was also the heat wave health advice, which was advertising to communicate health risks during the heat wave, which cost \$16,127; and there was also a campaign to do with Holdens and the new fuel-efficient low emissions small car,

which was \$5,493. That was a total of \$775,000. There are also various things such as the African communities reception. I think all of those things are thoroughly justified.

We have a master media agency (MMA) agreement as a whole of government contract for the supply of specialist services for the planning and buying of advertising media. Starcom, a division of Starcom MediaVest Group, is currently contracted to provide master media agency services to the South Australian government under this agreement. The government of South Australia has had an MMA agreement in place since 1993, and the federal government, the New South Wales government, the Victorian government, the Queensland government, and the Western Australian government all operate similar master media schemes.

The MMA, as a centralised and single point of negotiation backed by the total aggregated government advertising expenditure, is able to generate very favourable advertising rates from the media. This results in significant savings to government by reducing overall agency expenditure while meeting its communication obligations to the community. Think about road safety campaigns, waterwise campaigns, the whole variety of campaigns that go on; if this government did not do them the opposition would call on us to do them—and the Leader of the Opposition's government did them as well.

Mr HAMILTON-SMITH: I refer to the same budget pages, and Targets and Highlights. How much taxpayer money was spent on TV, radio and newspaper advertising in the whole of 2008-09? If the Premier does not know, can he direct the committee to where one might find that government advertising expense in the budget?

The Hon. M.D. RANN: Obviously, different departments have their own expenditure. What departments use is through the MMA contract. They can then negotiate to get a better rate by going through a single agency. However, I can get that information for the leader.

Mr HAMILTON-SMITH: Why the secrecy, Premier? Why not have it in the budget papers where it can be seen?

The Hon. M.D. RANN: There is no secrecy. I have just told you I would get it; I will get you the information and bring it to you. There will not be any secrecy. When it was suggested that we were cutting our advertising budget—and we do not have those big lift-outs in *The Advertiser* about the budget that the leader's government had, remember those big budget lift-outs and all those other big lift-outs?—I think the various media organisations would have been very disturbed, particularly in this environment. It is important for us to advertise what we are doing—whether it is water restrictions or the Tour Down Under, or whether it is promoting the Clipsal 500. All these things are what would be expected, and if the Leader of the Opposition were the Premier, or one of the others on the front bench today, he would be doing exactly the same.

Mr HAMILTON-SMITH: I would like to go back to the cabinet office, and refer to the same budget paper, page 1.10: Program Net Costs and Summary of Services, Cabinet Office, \$7.1 million. That includes funding of the code of conduct and the management of cabinet business. The Premier runs cabinet and oversights the expenditure of that money. My question to the Premier is this: following representations from the *Sunday Mail* prior to its reporting on 19 April that the Minister for Road Safety had around 30 road and traffic offences, what information was provided to you or the cabinet office, as required by the code of conduct, regarding the exact number of offences, and what advice did you receive from the cabinet office on his consequent suitability to remain in the position of Minister for Road Safety?

The CHAIR: That is not an estimates question.

The Hon. M.D. RANN: I do not know where that is in the budget estimates; it is not in there. Once again, the Leader of the Opposition is doing what has got him into trouble with his own colleagues. He should read today's *Australian* about how he misled his own deputy and others about what he was doing.

Mr HAMILTON-SMITH: Sooner or later, Premier, you will have to answer some questions. You can obfuscate, you can hide behind—

The CHAIR: Order! That is sufficient, Leader of the Opposition. The place for asking such questions is in the house at question time: it is not in estimates. It is your decision as to whether or when you ask questions in the house—

Mr HAMILTON-SMITH: I can see the government is refusing to answer the question so—

The Hon. M.D. RANN: No, you did not have—

The CHAIR: Order!

Mr HAMILTON-SMITH: You have an opportunity now; answer the questions. We do not have to wait until parliament resumes.

The Hon. M.D. RANN: You did not have the intelligence to ask such a question on a day when you dropped fake, forged documents and accused people of criminality, and that is why you are in trouble. People do not believe you, even your own—

Mr HAMILTON-SMITH: Do you intend to apologise to the people of South Australia for what happened with Mr Koutsantonis?

The CHAIR: Order!

The Hon. M.D. RANN: I have a letter of apology from you. It took a while to get that apology. These are questions you can ask in question time, but you declined to do so because, like Malcolm Turnbull, you were misled by fake documents.

Mr HAMILTON-SMITH: Actually, we did, but you were either absent or refused to answer.

The CHAIR: Order!

The Hon. M.D. RANN: That is just not true. I was standing there in parliament and the first question came from the member from Unley. Basically, you decided to take a very sleazy road and that has got you into big trouble; that is why you are being sued by some people. I have forgiven you but your own side has not.

The CHAIR: Estimates questions—

Mr HAMILTON-SMITH: You will have to answer the questions sooner or later.

The CHAIR: Order!

The Hon. M.D. RANN: You can ask me the questions in question time.

Mr HAMILTON-SMITH: I am asking you the questions; why don't you share the information with us now?

The CHAIR: Order, Leader of the Opposition!

The Hon. M.D. RANN: I answered the questions before, and I am happy to do so. Bob up on the first day of question time and I will have a few other things to say—Thursday next week, if you are still Leader of the Opposition.

Mr HAMILTON-SMITH: I am sure that answering the questions I have just asked will not be one of them, Premier.

The CHAIR: Leader of the Opposition! I repeat—

Mr HAMILTON-SMITH: We will move on; obviously we will not get an answer to that.

The CHAIR: —that this is for estimates questions which must relate to the budget. There are—

Mr HAMILTON-SMITH: Well, Madam Chair, \$7.1 million of taxpayers' money on the effective running of the cabinet office, with the Minister for Road Safety having 60 traffic offences—

The CHAIR: Order!

Mr HAMILTON-SMITH: I put it that it is an estimates question, Madam Chair.

The CHAIR: Order! Would you please—

Mr HAMILTON-SMITH: I think the people of South Australia have a right to some answers—

The CHAIR: Order! You are not getting things on the record by virtue of screaming over everyone else, Leader of the Opposition. I am protecting you in that. Would you like to ask another estimates question?

Mr HAMILTON-SMITH: We will move on. We are obviously not getting anywhere with that.

The Hon. M.D. RANN: The Turnbull approach is not working in Canberra either. Obviously, the two of you do not learn from each other.

Mr HAMILTON-SMITH: I refer to Budget Paper 4, Volume 1, page 1.19, which deals with the university city. I am specifically referring to the Carnegie Mellon venture, which has tied up a considerable amount, many millions, of taxpayers' money. How many students were enrolled in 2008-09 and how many of them were state government public servants? The real question that I am leading to that I would like an answer to is: is Carnegie Mellon going to be financially viable without government funding and when will funding come to an end?

The Hon. M.D. RANN: First of all, I will answer in terms of university city. The state government continues to expand Adelaide's reputation as a university city. In addition to overseas institutions establishing a presence here we are also aware of the outstanding research and teaching being undertaken in key areas of our existing public universities. These institutions are increasingly committing to the university city initiative and collaborating with the government to help realise international linkages with foreign universities. This is being achieved by bringing researchers with niche expertise, and students to Adelaide. Our international education industry continues to defy the economic downturn.

Interestingly, the Leader of the Opposition attacks what we are doing with university city. Let me give him some results: we outstripped the national average to record a 24 per cent increase in overseas student enrolments in the first three months of this year. When he was in government there were about 8,000 overseas students. There are now about 30,000 and, by 2014, we will have 62,000 students—or it may be even higher. Of course, what that means is that it is now already our fourth biggest export industry.

What we did in terms of branding was to be the first government to secure a US university of world renown. Have a look at the rankings where Carnegie Mellon is compared to Australian universities. We have also secured University College London to establish its first campus anywhere outside of Britain in the past nearly 200 years. That is ranked just after Oxford and Cambridge. It is, I think, ranked No. 7 in the world after Yale and Harvard. Santos has put in \$10 million, as we have put in \$10 million to get UCL. It is totally crazy to try and damage these institutions and the Royal Institution of Science.

I know you were at the table and telling people one night that you thought that the Royal Institution was a good idea. It is the first time in more than 200 years that it has come out of Britain to establish here in Adelaide. This is reinforcing our image internationally as a university city. We have three outstanding local universities, as well as UCL, Carnegie Mellon, the Royal Institution, and we have a branch of Cranfield University, as well, in terms of defence. This is incredible bang for buck in terms of our branding internationally. Every city in Australia has good universities. Not only do we compete with other cities but we also compete with the United States for Asian, Indian and Chinese students, and with New Zealand, Britain, Canada and elsewhere.

The fact that we have Carnegie Mellon, the University College London and the Royal Institution here is massive value-add to our brand. I mentioned that we outstripped the national average to record a 24 per cent jump in overseas student enrolments in the first four months of this year. As I say, international education is already our state's fourth largest export. It injected \$741 million into the state economy in 2008-09. Carnegie Mellon University's Adelaide campus has produced 77 graduate students; it is about postgraduate. By the year's end that number will be around 140.

CMU is also expecting a 30 per cent increase in enrolments for its academic commencement in August 2009. We are delighted about that. To further increase its number of privately funded students, CMU has agreements in place with a number of countries, including China, India, Mexico, Hong Kong and Indonesia. Carnegie Mellon is a world leader in areas such as public policy, information technology management, computer science and robotics.

In late 2008 the state government and University College London signed an agreement for the establishment of the UCL School of Energy and Resources in Adelaide. The school will deliver a master's in science and energy resources exclusively from Adelaide from 2010. It has never ever gone offshore in its nearly 200-year life. The leader may not know that this is a university whose students have included Mahatma Gandhi, a whole series of Nobel Prize winners, the philosopher Jeremy Bentham and, of course, the members of Cold Play.

The CHAIR: The opposition has asked four questions; are there questions from my right?

Mr KENYON: I refer to Budget Paper 4, Volume 1, sub-program 3.2 on page 1.18. Can the Premier advise on the government's objectives for South Australia's renewable energy sector and how the recent budget announcements will help deliver on those objectives?

The Hon. M.D. RANN: On 2 June I made a general announcement, including the government's decision to commit to a target of having one-third of our state's electricity generation coming from renewable sources by 2020. We are already a leader nationally and internationally in hosting renewable energy. We are on track to achieve ahead of time a target of 20 per cent of electricity generation coming from renewables by 2014, which means that we will reach that level years before the rest of Australia as a whole.

The one-third target will place us amongst a handful of leaders internationally. For example, the United Kingdom is considering committing to a target which would be the equivalent to sourcing 32.5 per cent of their electricity consumption from renewable sources, so almost as high as our commitment. While that is in line with ours, they have the great advantage of being connected to Europe's power grid. This is an integrated grid which does not carry the same stability and congestion issues which can work to constrain renewables investment in smaller-scale, more fragmented circumstances such as our own.

This means that our target is particularly ambitious in world terms given Australia's particular circumstances and that we will need to work hard to meet it, so the government has decided to back up its target with some concrete actions. In tough times, we have found \$20 million to be applied over the next two years to support renewable energy investment, particularly in the early stages of the development chain.

The government is playing to the state's strengths. The first contribution from the fund is a \$1.6 million grant to establish the South Australian Centre of Excellence for Geothermal Energy Research at the University of Adelaide. Further contributions will be made in response to opportunities as they arise. We have created a new RenewablesSA Board just as we created a defence board and an advisory group on mining to guide our policy initiatives.

Just remember, that defence board has people like General Cosgrove, former chief of the Defence Force, Peter Leahy, former head of the Army, David Shackleton, former head of the Navy, a former head of the Air Force and others, and that unit has been spectacularly successful. This has really been based on that to guide our policy initiatives, not just to get a bigger share of renewable energy but to actually create an industry and to invest in R&D.

The role of the board will go well beyond making disbursements from the fund. It will concentrate on the policy settings needed for us to go on attracting much more than our fair share of renewable energy investment. One area of great success has been getting our policy settings right for wind, geothermal and solar. The board will take this policy work to the next level. Specifically, it will focus on overseeing the preparation of the renewable energy industry development plan required by our state's climate change legislation, developing new policies for encouraging investment and preparing strategies for accessing commonwealth government program funding.

Finally, the board will consider how this investment in renewable energy can flow on into job creation. These jobs will come from the actual investment, from downstream manufacturing and sources and from the reputational benefit that high levels of renewable energy investment can confer on goods produced from South Australia. This is another example of environmental and economic development policies joining together in a complementary way.

This complementarity is a cornerstone of the government's approach to climate change policy and I am confident that the RenewablesSA Board led by Bruce Carter will help to maintain the state's leadership position in this area. I know that Russell Emerson is here, so I will not use the words 'breaking news' lest I be punished, but I am very pleased to be chairing the climate group's international conference on climate change. I did in Poznan, and I will in Copenhagen.

It is a group that represents states, territories, regions and provinces from around the world. It includes French provinces like Brittany, places like Catalonia, the Basque state and other areas of Spain, German states, Indian states, Chinese provinces, Canadian provinces and US states. I am obviously looking forward to meeting my Californian doppelganger in Copenhagen.

Ms CICCARELLO: I refer to Budget Paper 4, Volume 1, sub-program 3.2, page 1.18. Can the Premier explain the benefits of facilitating sector agreements under the Climate Change and Greenhouse Emissions Reduction Act 2007?

The Hon. M.D. RANN: As you know, there are a number of targets in the legislation and one of them was 20 per cent by 2014. It was just announced that we will easily reach that target ahead of time and we will reach it years ahead of the national targets. We now have 33 per cent.

Part of that legislation also included sector agreements as a significant component of the Climate Change and Greenhouse Emissions Reduction Act.

Section 16 of the act provides for the government to enter into voluntary sector agreements with a particular person or entity or industry or business group for the purpose of recognising, promoting or facilitating strategies to meet targets set under the act. The development of sector agreements under the Climate Change and Greenhouse Emissions Reduction Act 2007 seeks to reduce greenhouse gas emissions including promotion and awareness of greenhouse gas abatement opportunities, accelerate the uptake of energy efficiency, integrate greenhouse issues into business decision-making and provide more consistent reporting of greenhouse gas emissions.

Sector agreements are the key mechanism in the legislation for establishing formal cooperative arrangements between government and specific industry sectors. The agreements require both parties to make significant commitments in tackling climate change. To date, there have been five agreements concluded under the legislation. The South Australian Wine Industry Association and the Wine Grape Council signed an agreement with me at the London Wine Fair in 2008 to reduce their greenhouse gas emissions. This is important for the environment, and it also makes good business sense.

As you know, a whole series of companies in Britain say that they will look at the amount of carbon emissions in terms of producing wine and also look at carbon miles in terms of transportation. We are a lot further away from Britain than France is across the Channel, so this is an area in which it is critically important for us to demonstrate that our wine industry is friendly to the environment. I know that the wine industry is very committed to doing this for environmental reasons and also for business export marketing reasons.

The Local Government Association of South Australia, which, of course, covers South Australian local councils, signed and announced its agreement in early June 2008, and I am delighted about this. A number of individual councils have adopted a purchase of green energy for their council operations.

The Property Council of Australia concluded an agreement with me just a week ago. Archbishop Jeffrey Driver and the Synod of the Adelaide Diocese of the Anglican Church signed an agreement with me on 25 February 2009. That agreement is looking at reducing the greenhouse gas emissions of church structures and also church schools and parishes, also embracing a green precinct for the Cathedral. Adelaide Brighton Cement Ltd is also embracing this initiative, and I think it is fantastic to have the cement industry embracing this.

A further 20 agreements are being negotiated, including agreements with electronics, steel, urban development industries, the RAA and the university sector. The key focus of the agreement is to achieve additionality. This means progressing initiatives that go beyond compliance, which will give industry sectors in South Australia a competitive edge. For example, as part of the Wine Industry Sector Agreement, a carbon calculator is being developed for grape growers and wineries to measure their carbon and then reduce their emissions to maintain a competitive edge in export markets.

Under the Property Council Sector Agreement, advantage is gained through the Building Innovation Fund, an incentive-based fund for commercial building owners to find innovative ways to increase the energy efficiency of their existing buildings. For the University Sector Agreement, currently being negotiated, it is about making South Australia a destination of choice for research and education in sustainability and climate change, thus bringing to our state additional researchers and students who are focused on this area of study.

For the cement industry, additional gains may be achieved through a proposal that the state government and industry utilise national and international networks to support the development of an international sector agreement for the cement and lime industries. International agreement has been advocated by the World Business Council for Sustainable Development Cement Sustainability Initiative by the Australian Garnaut Climate Change Review. The sector agreements are about working collaboratively with industry and community in tackling climate change while maintaining a competitive edge as we transition to a low carbon economy.

The Hon. I.F. EVANS: Budget Paper 3, page 2.29, refers to some social inclusion housing—\$65 million over four years. How much of that is state money and how much is commonwealth money?

The Hon. M.D. RANN: Hopefully, it will be a good shandy of both.

The CHAIR: Budget Paper 3, page 2.29, is that your reference, member for Davenport?

The Hon. I.F. EVANS: Yes, the Premier has it.

The CHAIR: That is Families and Communities.

The Hon. M.D. RANN: It is Families and Communities.

The Hon. I.F. EVANS: Yes, but it is called 'Social Inclusion Housing'.

The Hon. M.D. RANN: No, I'm trying to be helpful.

The CHAIR: Perhaps the Premier might like to explain how social inclusion initiatives are administered.

The Hon. M.D. RANN: I will get back to you with the details; but there is our money and there would be other people's money in it, because that is the whole point of Common Ground and what we are doing in Social Inclusion. It is about bringing together partnerships. We put money into Light Square, and so has the private sector, I understand. We have put some millions of dollars into the initiative that is currently underway at the bus station. I also signed the Homelessness National Partnership Agreement with the Australian government, maintaining our commitment to further reducing homelessness in South Australia. This agreement will provide an additional \$59.9 million invested in homelessness services over the next four years. I will get you the details.

The Hon. I.F. EVANS: So, am I right in saying that, basically, \$60 million of that \$65 million comes from the commonwealth, and the state's contribution is only \$5 million? Is my understanding of that answer correct? You have given the answer that you are signing a four year agreement for \$59 million.

The Hon. M.D. RANN: I will get you the details.

The CHAIR: Order! The question is not relevant to today's estimates. If the Premier wants to provide some information, he may do so.

The Hon. I.F. EVANS: Just let me get this clear, Madam Chair, you are saying—

The Hon. M.D. RANN: Can I just say this—

The Hon. I.F. EVANS: I'm trying to clarify a point with the chair. Is the chair saying that the Minister for Social Inclusion cannot answer a question relating to a social inclusion housing initiative of \$65 million?

The Hon. M.D. RANN: I just said I will.

The CHAIR: I am saying that the question you asked refers to the Families and Communities portfolio and, therefore, is appropriately directed to the Minister for Families and Communities.

The Hon. I.F. EVANS: Even though the Minister for Social Inclusion signed the agreement by his own admission?

The CHAIR: Order, do not interrupt the chair! Show some manners! The Premier may volunteer some information.

The Hon. M.D. RANN: I know there is going to be a bit of muscling up today as various leadership protagonists try to demonstrate their prowess, including some former ones, but the key point is that I said I would answer the question. I will get you the details. Do I think it is great that we are getting other people's money into Social Inclusion and Common Ground? Absolutely. That was the purpose of what we announced.

The Hon. I.F. EVANS: I refer to Budget Paper 4, Volume 4, page 117: Social Inclusion Initiative. Since 2006, this initiative, by your own admission in previous estimates, has been restricted to policy advice; it does not deliver programs as such. It has gone from \$2 million to \$8 million just in policy advice; in the last year it has gone from \$5.5 million to \$8 million. Would the increase not be better spent on the programs that have yet to be funded out of previous policy advice from the unit? Why the increase from \$5.5 million to \$8 million just on policy advice?

The Hon. M.D. RANN: The ICAN initiative is a huge initiative that has been spectacularly successful. As you know, because you were a minister, there was a huge fall in school retention while you were in government. We went from being a national leader to a national disgrace. We now have a 13 year high in terms of an initiative devised by social inclusion and backed by the government. I would have thought that you would believe that was a good thing, to reverse the

trend that occurred under your mate Rob Lucas when he was minister of education—I hear he is still backing you.

The point of the matter is that we have a range of programs that are facilitated by Social Inclusion. We also, of course, have another initiative, which is to set up a national centre for social innovation, which Phillip Adams is chairing, and includes people like Tim Costello, which is about making a—

The Hon. I.F. EVANS: But that does not come out of that \$8 million.

The Hon. M.D. RANN: Well, I can check that out for you.

The Hon. I.F. EVANS: As a supplementary, my understanding from the Premier's previous advice to estimates committees is that the Social Inclusion Initiative does not spend money on delivering programs, it gives advice. The Centre for Social Innovation that Phillip Adams is involved in is funded out of different program lines. What I am asking is, given that the Gang of 49 issue is not resolved, school retention is not resolved, all of those references that you have given to Social Inclusion, would not the increase of \$3.5 million a year in policy advice be better spent on the programs that have yet to be delivered by Social Inclusion, or yet to be delivered on the recommendations of Social Inclusion?

The Hon. M.D. RANN: The Social Inclusion Initiative does spend money wisely in these areas. You would be aware of the board's report, which was released with our budget commitment of \$9.5 million over four years to support young people with a disability in three regions of the state: Port Augusta, Port Adelaide Enfield and Playford. The cost of providing pathways coordinators in this region is \$2.2 million recurrent in 2009-10, rising to \$2.6 million recurrent per annum by 2012-13. We work very closely with non-government agencies. I will get you a breakdown. I think it will be helpful. It is getting great results.

The Hon. I.F. EVANS: Premier, you have—

The CHAIR: Order! We will wait until the Premier has completed his answer.

The Hon. M.D. RANN: The difference is, the funding approved through the 2009-10 state budget for the integrated economic disadvantage and disability program is the \$4.529 million figure. I will get you the list. You will be happy. Wait and see.

The Hon. I.F. EVANS: Just a supplementary, if I can, on that last point?

The CHAIR: I have to hear what the question is to determine if it is supplementary.

The Hon. I.F. EVANS: The Premier just indicated that there is, roughly, a \$4.2 million figure, I think it was, or \$4.5 million figure, for getting social advantage out of economic development, that last reference—

The Hon. M.D. RANN: Yes. There is also the Young Offenders Breaking the Cycle Phase 1 initiative funding allocated to Social Inclusion.

The Hon. I.F. EVANS: But the increase in the social inclusion budget is only \$3.5 million, so what has been cut? There is a difference of about \$700,000 or \$800,000 there; what has been cut? You have allocated four and a bit million to that program. There is only a \$3.5 million increase in the program, so what has been cut?

The Hon. M.D. RANN: The Young Offenders Breaking the Cycle Phase 1 initiative funding allocated to Social Inclusion was up until 2008-09, that was 957; funding approved through the 2009-10 state budget for the integrated economic disadvantage and disability program, 4.529. I will get you the breakdown. I am sure it will be breaking news.

The Hon. I.F. EVANS: If that is the case, Russell will report it for you. Same budget line, same page, Social Inclusion. You have spoken a lot today about homelessness and the measure of homelessness. My understanding of it is that the government has received advice from Swinburne University not to make that claim because the ABS figures have yet to be finalised and are to be adjusted, and there has been some concern expressed to government, or view put to government, that it should not be quoting those figures as finalised as yet. So, can the Premier give me some advice on that?

Further, some non-government agencies are suggesting that the way that homelessness is counted is flawed. I will give you the example where in winter, for instance, people that are homeless move out of the Parklands, which is in the count area, and sleep in the car parks, in the sheltered areas down Greenhill Road and other surrounding roads and are, therefore, out of the

count area. So, it skews the figures. The way that homelessness is counted is flawed. My understanding is that that has been put to government and has been rejected. So, there are two issues there: the advice about the ABS figures and the count method.

The Hon. M.D. RANN: I am not aware of that advice about ABS figures. We have our own figures which are better than the ABS figures, but the reason I use the ABS figures is because it is not us doing the count, it is the Australian Bureau of Statistics census. What that showed was a reduction in homelessness in South Australia and about a 19 per cent increase across the nation. Surely, even the Liberal Party would think that was a good thing.

Let me go through some things. In 2002, the government released its 14 point Homeless Action Plan in response to the Social Inclusion Board's report, 'Everyone's Responsibility, Reducing Homelessness in South Australia'. This five year plan funded 29 separate programs to prevent people moving into homelessness and to reduce the time people spent in homelessness, especially those rough sleeping.

These programs have delivered services to over 20,600 South Australians vulnerable to homelessness: 3,252 homeless people have been assisted into housing; 6,985 people at risk of homelessness have been supported to prevent their homelessness; and 8,763 people have been provided referral, advocacy and support services. These achievements are reflected in the reduction in rough sleeping homelessness that was found in the ABS 2006 census—the census for Australia, not Mike Rann doing a head count in the Parklands, the census for Australia—which revealed a 19 per cent national average increase.

We know, through our inner city homeless counts—these are our own counts—the number of people sleeping rough in the inner city has continued to fall from 108, I am told, in June 2007 to 53 in May 2009, a reduction of 51 per cent. I would like to point out that the methodology used for these counts is very similar to the methodology used by the ABS in its 2006 census homeless count. The same homeless agencies are involved in the counts, and the ABS questionnaire has been modified to enable the tracking of homeless and housing history and to exclude collection of unnecessary personal information.

In November 2007 Common Ground on Franklin was opened—the first Common Ground project in Australia. Some 45 people have been housed there, with over 80 per cent of tenants engaged in services and support programs. The Common Ground model provides a mixed tenancy approach, and currently 48 per cent of clients are people who were formerly homeless and the remainder are low income earners.

Two other Common Ground projects will be opened in South Australia. The Light Square apartments will provide 52 homes for homeless people and other low income earners. Candetti Constructions has been awarded the building contract and occupation of the Light Square apartment site is planned for mid 2010.

In May 2008 the government announced its third Common Ground project for Port Augusta. This project is a partnership with the commonwealth government and will provide 40 housing units, and include refurbishing of an existing 24 unit site at Boston Street, Port Augusta. The Common Ground project will also have the added capacity to house homeless families.

We are encouraged but not complacent in our achievements. This is bloody hard. We are dealing with people, not low hanging fruit in terms of easy. We are tackling the hardest area. We know that this is really hard. I think David Cappo deserves our support. We are encouraged but not complacent in our achievements. One person in homelessness is one person too many, especially during the cold winter months.

Obviously, we are concerned about the impact that the global economic recession will have on homelessness. We are pleased that we are erecting buildings to house homeless people, not just as refuges but with support services. That is the whole thrust of what Rosanne Haggerty has suggested to us.

Mr KENYON: I refer to Budget Paper 4, Volume 1, sub-program 3.2, page 1.18. What has South Australia done to support climate action in the lead-up to Copenhagen in December 2009?

The Hon. M.D. RANN: The great thing is that tackling climate change is not just a job for national governments; and we saw what happened in the Senate yesterday. According to the climate group, their research shows that 80 per cent of the decisions that affect our environment are made at the regional or state level. That is why we cannot have a cop out on this issue.

This might be controversial, but I thought it was appalling that other governments around Australia did not have the guts or gumption to join us in our plastic bag ban. In this state alone, 400 million plastic bags are not going into the waste stream. We got all the usual falderal about how it would be the end of civilisation. We got that 30 years ago with the container deposit scheme. The industry lined up and said that it would be a disaster for jobs and investment and factories would close. Of course, most of the rest of the world has done it. I think South Australia is still the only state to do so. I am pleased that the Northern Territory is following us, and, hopefully, there will be movement from other states. Other states are now looking at it. We did it in the 1970s. It was the same with the plastic bag ban: all the environment ministers got together and effectively squibbed, so South Australia went on its own. It has been accepted and it is going well.

There is an emerging international climate change agenda for action from sub national governments, which have an important role to play in implementing policy programs and legislation in many areas that are critical to the environment and critical to tackling climate change. I mentioned that I chaired the Climate Leaders Summit in Poznan in Poland last December, which has resulted in a statement of action for other governments.

Essentially, we were getting other governments to agree to what we are doing here by setting targets and, rather than just announcing policies, making sure that the media and the community could be on their back in terms of reaching those targets. The statement of action is a commitment by regional governments to take tangible and measurable action to lead by example, and builds on the Montreal Declaration of the Federated States and Regional Governments on Climate Change signed in 2005.

The 2008 statement from Poznan contained new commitments for sub national governments to:

- set energy efficiency and renewable energy targets;
- undergo specific exchanges in the area of efficiency, renewable energy, clean transport and land use;
- partner with a developing country or a region in a developing country; and
- support the work of the United Nations Development Program.

I am very pleased that the new head of the UNDP is the Right Honourable Helen Clark, former prime minister of New Zealand. Our statement also calls for formal recognition by UNFCCC of the role of states and regions in the implementation of an international agreement on climate change.

Five months into 2009, significant progress has been made towards a number of these commitments. Efforts to gain recognition through the UN process have been ongoing. I wrote a letter to all government leaders in the climate alliance requesting their support for a united regional government approach to the UNFCCC. Work has progressed to promote partnerships between developed and developing country regions.

From South Australia's perspective, the state government has invested in reducing energy use, which is just as important as increasing renewable energy sources. In fact, last week I met with the Energy Efficiency Council of Australia. Renewable energy is important, but we can make significant reductions in greenhouse gas emissions through energy efficiencies. We have implemented a residential energy efficiency scheme and invested in retrofitting old commercial buildings to reduce their energy consumption. We have introduced a range of mandatory water and energy saving measures in new houses and renovations. The state government, in partnership with the federal government, is investing record amounts of funding in the public transport system and in road, rail and the bus system to reduce the number of private vehicles on our roads.

With respect to land use, the state government is undertaking an ambitious 30-year plan for Adelaide, which will address a significant portion of South Australia's emissions. The reforms that the government is adopting will help to reduce reliance on motor vehicles, foster greater public transport use (and it is a big commitment to public transport), and create energy and water efficient urban developments.

The South Australian government is looking to further build on its existing capacity building programs in East Timor to assist it to deal effectively with the impacts of climate change. All participants in Poznan—all those states, territories and provinces—will be required to report back at the meeting in Copenhagen on their progress against the commitments they made in Poznan. A number of these commitments could benefit significantly from collaborative work between state and territory governments. At the recent Council for the Australian Federation meeting, it was agreed

that first ministers would meet to determine the specific contribution that Australian state governments can make to the international climate change agenda.

I have mentioned that, on the surface, it might seem that tackling climate change is the task of national governments acting internationally. That is true, but 80 per cent of the decisions that impact on the environment are made at the state or regional level, and South Australia will continue to take a leadership role on climate change and renewable energy policy.

Mr PEDERICK: I refer to Budget Paper 4, Volume 1, page 1.18: the Renewable Energy Industry Plan and the Renewable Energy Fund. Will enough wind power be generated and be available either here or interstate to fulfil the Premier's promise that the desalination plant will be powered entirely by wind power?

The Hon. M.D. RANN: Yes. It will not be a problem. When you think that the Perth plant is powered by allocations from wind energy in Western Australia—certified green power, as I understand it—given that we have one hell of a lot more wind power in South Australia than they do in Western Australia, I cannot see that there will be a problem. It is certainly something to which we are very committed.

The Adelaide desalination plant is currently under construction and is estimated to begin operation in 2011. The expansion of the plant to double its capacity was recently announced as part of the federal government's budget. The expanded plant will be operational at the end of 2012.

The various options for the provision of electricity and carbon offsets were raised as a result of a request for expressions of interest for renewable electricity, released on 15 December 2008, and responses were received from 12 interested parties. On 30 March 2009, SA Water released a request for a proposal to the shortlisted respondents from the expression of interest process. These were Momentum Energy, Hydro Tasmania, International Power, TrustPower and AGL.

The 50 gigalitre plant has been estimated to consume up to 250 gigawatt hours of electricity per annum. This rises to about 500 gigawatt hours per annum when the expanded 100 gigalitre plant is operational. For context, 500 gigawatt hours represents a very small proportion of the expected SA electricity generation in 2020. So, I am reliably advised that we will not have a problem.

Mr PEDERICK: I have a supplementary question. In light of the Premier's answer with respect to the power demands for a 100 gigalitre plant, is there enough wind power in the system and strategically placed wind farms—because, obviously, wind power is not baseload power?

The Hon. M.D. RANN: We have all these people bidding to supply it, and what they do is you can purchase for your own house certified green power. That means that it will be a mix. It is done in Western Australia, I am told, and we have a hell of a lot more green power than it does.

Mr PEDERICK: I refer to Portfolio Statement, Budget Paper 4, Volume 1, page 1.18. How much did the black balloons campaign cost in 2008-09, what format was that campaign, what was the cost of each individual type of advertising and how long did that advertising run for?

The Hon. M.D. RANN: It was \$300,000 for 2009-10. We launched the campaign in December 2007. The campaign included black balloon advertisements to communicate the 'use less energy, use green energy' message. The budget allocation of \$300,000 will enable the campaign to be refreshed and extended for another year.

The CHAIR: We have reached the time agreed for a tea break. So, I declare the examination of the proposed payments adjourned to later today.

DEPARTMENT OF TRADE AND ECONOMIC DEVELOPMENT, \$61,825,000

Membership:

Mr Griffiths substituted for Mr Hamilton-Smith.

Ms Redmond substituted for Hon. I.F. Evans.

Departmental Advisers:

Mr B. Cunningham, Chief Executive, Department of Trade and Economic Development.

Mr L. Bruce, Deputy Chief Executive, Department of Trade and Economic Development.

Mr R. Underdown, Director, Office of the Economic Development Board.

Mr M. Arthur-Worsop, Director, Competitiveness Council.

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

The Hon. M.D. RANN: Despite the impacts of the global recession forced upon us, the underlying fundamentals of South Australia's economy remain strong. As a result, we are better placed than most other states to recover from the downturn in good shape. In 2007-08 South Australia's gross state product grew by 3.8 per cent, while Australia's GDP grew by 3.7 per cent. While data for the 2008-09 GSP will not be available for some time, recent state final demand figures give us reason for some confidence that our economy is bearing up well. In trend terms, state final demand increased by 0.6 per cent in the March quarter of this year to be 4.2 per cent higher than a year earlier. National average growth was 1 per cent.

South Australia was the only state or territory to record an increase in the March quarter, and also recorded the strongest growth over the past year in comparison to all other states. The latest unemployment figures also give reason for cautious optimism. In May, trend total employment was 795,600, the highest level in the state's recorded history. In total, this government has overseen the creation of 104,500 new jobs in trend terms since 2002. In contrast to the national trend, South Australia's headline unemployment rate actually fell in May. Jobs went up and unemployment went down. Labour force participation is at a high of 63.7 per cent in May 2009. Business investment in South Australia reached a record \$10.3 billion in the year to the March quarter 2009.

Business confidence, which is so crucial to ongoing investment and growth, is also returning despite the global economic uncertainty. The May 2009 BankSA State Monitor found that South Australian business confidence rose between February and May, and 56 per cent of business operators in this state were confident that the state's business climate will improve in the next 12 months. National Australia Bank's Monthly Business Survey and Economic Outlook for May 2009 showed business confidence increasing and South Australia recording greater optimism about business conditions than other states.

The Sensis Business Index that tracks the behaviour and confidence of Australia's small and medium enterprises also showed South Australia defying the national trend. For the quarter to June 2009, SME confidence rose sharply. So, while very tough global circumstances are impacting on our state, there are reasons for confidence that the South Australian economy will continue to grow. Access Economics forecasts that our state's economic growth will exceed the national average between 2008-09 and 2010-11.

Other leading economic commentators are also positive about South Australia's prospects. The June 2009 BankSA *Trends* bulletin argues that 'South Australia is best placed of all states to continue to prosper through the global downturn.' The March 2009 Access Economics Business Outlook report states that South Australia is set to fare better than most states over the next two years. According to the NAB's monthly business survey, South Australia's business conditions are the strongest of any state, and the reason we are doing comparatively well is because of the increased diversification of our economic base.

Our mining and defence industries have undergone unprecedented expansion in a short time. Efforts by the government to pursue defence contracts have paid off, and jobs are starting to flow from this strategic focus. We pursued and won the \$8 billion air warfare destroyer project, which is conservatively estimated to create 3,000 jobs, and the relocation of 7-RAR Mechanised Battalion, which is estimated to create 1,600 jobs.

In addition, when this government came to office South Australia had four operating mines; this year that number will grow to 11, with the likelihood that it will reach 16 in 2010. Mineral exports for the year to February 2009 totalled \$3.1 billion, which is around 30 per cent of our state's total merchandise exports. I think mining became number one for the first time.

This government's record of responsible fiscal management has also supported the outlook for the state. The announcement immediately in the wake of this year's budget that South Australia had retained its AAA credit rating was recognition of the government's prudent financial management and shows the confidence that the ratings agencies have in this government to deliver a record infrastructure investment and bring the budget back to surplus.

Bank SA's June 2009 *State Monitor* found that South Australia's budget remained in a 'relatively good position', and the budget clearly outlined how we will add to that productive capacity. Our \$11.4 billion infrastructure program will support jobs and build critical transport, health, education and water infrastructure for the future. This record infrastructure investment program will support 14,000 jobs over the next 12 months alone.

The government will also maintain its efforts to ensure that Adelaide is the most competitive place in which to do business. In KPMG's 2008 report, Adelaide maintained its position ahead of Sydney, Melbourne and Brisbane as the most competitive location in Australia in which to do business. In July 2008, Deloitte reported \$170 million in annual net cost savings to business through the Competitiveness Council's red tape reduction program. Building on the success of that initial reduction program, the second phase has commenced, with a new target of a further \$150 million reduction in red tape over three years. In addition, earlier today I mentioned the big drive now from the EDB for renewables as being central to our activities for the future.

The CHAIR: Member for Goyder, do you have an opening statement?

Mr GRIFFITHS: No, Madam Chair; I will go straight to questions. Premier, I refer to Budget Paper 4, Volume 1, page 2.6, where it identifies, as one of the highlights of 2008-09, that DTED supported the Economic Development Board in preparing the economic statement. Has a formal response to that economic statement been prepared by the government?

The Hon. M.D. RANN: I came out and strongly supported it. The EDB, under the leadership of Robert Champion de Crespigny, strongly encouraged us to go hell for leather to get three areas moving. One of them was defence, and we won about \$14 billion worth of defence projects in four years and, most recently, had confirmation, with an announcement in the defence White Paper and from the Prime Minister, that the next generation of submarines would be built in this state. That will be another \$30 billion, and we are also in a good position to get the next range of frigates.

There is also the PACE scheme, which, I think, has been one of the biggest 'bang for bucks' in the state's history, getting mining exploration going. This has paid massive dividends, with a tenfold increase in mining exploration. There is also the area of education, where we have gone from about 8,000 overseas students to 30,000, all spending money in the city and creating economic activity. That is likely to go to about 60,000-odd.

However, the most recent statement talks about embracing renewables as an industry as another big new plank. Even though we are doing brilliantly in terms of our share of renewables, we need to build a renewable industry underpinning that R&D; not just having other people build wind farms, but seeing investment in R&D—for instance, bio-algae to produce a form of diesel, and wave energy. Bruce Carter's report was backed in the budget when we committed \$20 million to the recommendation to set up a renewable energy fund for two years to invest in a range of projects.

On 18 March the EDB delivered its first economic statement to the government. It proposed that key priorities for South Australia were:

- to pursue renewable energy investment to make South Australia the national leader in renewable energy—and that is around the concept of a green grid to feed into the national grid, but based in this state;
- to pursue water reform; and
- to ensure that we are well positioned to take full advantage of the commonwealth stimulus package.

The statement also recommended:

- addressing potential shortfalls in VET funding and higher education places;
- raising the employment participation rate from the current 73.8 per cent to 78 per cent by 2014-15;
- reviewing and updating the state's population policy, and that the targeted 2 million to be achieved by 2050 be brought forward to 2027;
- focusing industry policy towards higher value-added export-oriented industries;
- maintaining a robust program of infrastructure investment, which we have done; and

- the continuation of the red tape reduction program.

On 28 April the government responded to the statement with the following commitments and initiatives:

- continuing record investment on infrastructure over four years (which includes the desalination plant, the coast-to-coast tramline, electrification of the train network, and the Northern Expressway), in addition to the roll-out of social housing, transport and education infrastructure under the Nation Building Economic Stimulus Plan;
- increasing workforce participation of disadvantaged members of society by requiring 10 per cent employment at the Northern Expressway project to be local youth and indigenous people—the first such trial in the state;
- a new local industry participation policy which sets out the government's preferences for engaging local industry;
- setting a new target of a further \$150 million for red tape reduction over three years;
- increasing training and workforce development. South Australia was one of the first states to secure commonwealth funding to train over 12,000 job seekers; and
- undertake a review of SA Works to ensure responsiveness to the state's labour force needs.

The government is also doing the following:

- Making the state a hub for renewable energy by promoting technological innovation in a range of renewable energies, fast tracking demonstration plants, minimising regulatory impediments and securing investment. A renewable energy board has been appointed and a commissioner will be appointed.
- Waiving primary and secondary state school fees for dependents of international higher degree-by-research university students on home-country scholarships from June 2009. We were told that was an impediment for us even though we had been doing well.
- Mapping service export industries to identify barriers to growth to be undertaken by the EDB with the support of DTED.
- Restructuring the SA Centre for Innovation as a flagship organisation for business innovation to operate at arm's length from government.
- Realising the Regional Development Australia network to provide businesses and communities with a single shopfront for programs and services for the three levels of government.

As I mentioned, we are committing \$20 million to a Renewable Energy Fund to support the work to be undertaken by the RenewablesSA Board headed by Bruce Carter. So, we have responded.

Mr GRIFFITHS: I have a supplementary question. Premier, thank you for the detailed answer which certainly highlights the support for the work being done by the EDB. However, were there any recommendations from the report that have not been supported by government?

The Hon. M.D. RANN: I am not aware of any. From memory I cannot think of any that we have knocked back. In the past we have; there were a couple of early recommendations from Robert de Crespigny. I think we endorsed nearly all of them but there were a couple where we announced that we were not supporting them.

Mr GRIFFITHS: Other than tenure and public servants.

The Hon. M.D. RANN: I think that was the one, yes.

Mr GRIFFITHS: I have that recollection also. My next question again refers to the EDB and to Mr Bruce Carter (who the Premier has mentioned quite a bit this morning). I am aware of the arrangements for the use of his services for the Economic Development Board and now the Sustainable Budget Commission. You have also confirmed today, I think, to head the renewable energy SA management fund.

The Hon. M.D. RANN: Yes.

Mr GRIFFITHS: Will the premier provide the opposition with details on the contractual arrangements that exist with Mr Carter?

The Hon. M.D. RANN: Yes. When you look at the board over the years, Robert de Crespigny had four years doing extraordinary work for our state; and Carolyn Hewson, again, was a great contributor. We have had some terrific people on the board. As chair of the Economic Development Board his fees are \$68,750 for 11 months. I think it is actually \$75,000 but they are figures I have in terms of 11 months, to 22 May 2009. His fee is \$75,000 a year as chair of the Economic Development Board. He also chairs the Olympic Dam Task Force which, of course, is the proposed \$20 billion development of a \$1 trillion resource. He is paid \$51,074.26, so that is for 11 months, as well.

Mr GRIFFITHS: And also for RenewablesSA and the Sustainable Budget Commission?

The Hon. M.D. RANN: I do not have the figures for RenewablesSA but he is paid for that, and should be.

Mr GRIFFITHS: Can those questions be taken on notice?

The Hon. M.D. RANN: Yes.

Mr GRIFFITHS: As an extension of that, do you expect the services of Mr Carter to be on a continuing basis across future financial years?

The Hon. M.D. RANN: I would be sad to lose him. We had Robert de Crespigny for four years and then David Simmons, who put in an extraordinary amount of work on competitiveness and manufacturing. He has just taken on this position as chair of the renewables board. Also, in terms of the Olympic Dam expansion, there could not be anything more important for our state's economic future. His appointment as chair of the EDB expires on 30 June 2010. Should we be re-elected, I would certainly, given his performance, ask him to keep going.

Mr KENYON: I refer to Budget Paper 4, Volume 1, page 2.10. What is the government doing to plan for the long-term economic growth of the state? How is it being pulled together?

The Hon. M.D. RANN: As you know, the Economic Development Board was established in 2002 as the key advisory body to the government on economic development issues. What it suggested to us at that time was pretty tough: unless we acted swiftly we faced a future of decline. We asked the EDB is to help us (and, also, the State Strategic Plan was established) and asked: how do we get out of population decline, economic stagnation?

As I mentioned, two of the key pillars were that, obviously, we had to innovate and, whilst we did not neglect existing manufacturing or issues like bioscience (I think that Rob Kerin deserves credit for what happened there), we decided to back it and expand it. Really, it came down to saying, 'Okay let's go out there and win some defence contracts'—we were very underdone. Every time you win a defence contract it gives you the skills and expertise to win other contracts.

Obviously, our infrastructure development in Techport was very important in order for us to win projects and have facilities there that were world state-of-the-art. Also, of course, in implementing the PACE scheme, rather than handing out money to companies that were going broke or doing what some previous governments had done which was investing in call centres, subsidising jobs massively and then them closing and moving to India or elsewhere, we went for defence, mining and education and improve our competitiveness.

Those actions also go to improve migration into our state. All of those actions have paid massive dividends and, as has been mentioned, the next iteration has been Bruce Carter's report which I have just gone through before in terms of looking at a range of areas including renewables and also in terms of a continuation of a further red tape production and a new target of a further \$150 million.

Mr GRIFFITHS: Premier, I refer to Budget Paper 3, page 8.3, relating to population and growth in migration. You have alluded to this several times in your comments already today and talked about the two million population being achieved by 2027. Given, though, that South Australia has a relatively low population growth compared to other states, and the fact that overwhelmingly the majority of our growth is pinned upon immigration coming into our nation, do you believe that the federal Rudd government's decision to reduce overseas migration is going to affect that 2027 year?

The Hon. M.D. RANN: No; obviously, you have to take into account circumstances. I think there would have been an extraordinarily negative reaction from Australians who are currently here and working if they were losing jobs and we were, at the same time, bringing in tens of thousands of people. We are still recruiting overseas for specific areas of expertise where we are deficient, so

I just saw that as being an appropriate adjustment in terms of the global financial crisis, but we are on track.

When I was sworn in, I was told that our population would go into decline some time in the 2020s. We made a decision to go for two million people by 2050, obviously having to take into account water and sustainability issues as well as job issues. We believe we can do that 23 years ahead of schedule and we are on track to doing so. I think last year or the year before was the highest level of migration since 1972. We are being quite targeted in what we are doing, but I think that what the federal government announced is an adjustment faced with extraordinary circumstances, and you would expect them to.

Mr GRIFFITHS: Supplementary to that question, then, given that, as I understand it, South Australia's percentage of population has been in the range of 7.5 to 7.6 per cent of the national figure, upon achieving, hopefully, the two million by 2027, given the estimates for the other states in the nation, will we retain at least that share of our population?

The Hon. M.D. RANN: I would have to check that, but all I can say is that if we can reach two million by 2027, it will be damn sight better than the projected decline by that time that I was faced with just over seven years ago.

Mr GRIFFITHS: Premier, I refer to Budget Paper 3, page 8.6, which refers to projections on GSP across future periods and you have referred to it in your opening remarks, I believe. For 2011-12 and 2012-13, it is identified as being 4.25 per cent. These figures are quite close to those produced by the commonwealth for the whole country but, in the case of South Australia, is this a figure that the Economic Development Board agrees with; and how, indeed, have these calculations been modelled?

The Hon. M.D. RANN: I would have to get you a report on that.

Mr GRIFFITHS: My next question was going to be: if that growth is not achieved, do you see the budget being at some risk?

The Hon. M.D. RANN: I don't see the budget at some risk, and I think that the fact that we have such an endorsement from Moody's and Standard & Poor's is a real demonstration of confidence. I will have to get to those figures; I don't have them here. The Treasurer would have those.

Mrs REDMOND: Can I just ask for some clarification on that? Premier, you seem to say that the budget was not at risk, and I understand your anxiety to back up the budget. However, if there is an assumption that there will be 4.25 per cent per annum growth and that is not achieved, and, for instance, the growth turns out to be only 1 or 2 per cent, surely that must have, in anybody's calculations, a dramatic effect on the budget?

The Hon. M.D. RANN: What I am trying to say to you is that you could put to me any number of scenarios of doing better or doing worse. What we have done is put together a budget in the middle of a global financial crisis that is not the doing of anybody in this room or in this state. I have to say that the people responsible in New York and elsewhere should be in gaol rather than collecting hundreds of millions of dollars worth of payouts. We have had to act appropriately.

It was a tough budget to put together, but I read out before a whole series of people from NAB to BankSA and others endorsing what we are doing. We want to keep the place moving in terms of record infrastructure which is about five times more than it was seven or eight years ago. We are confident of our figures but, in terms of the specific questions I was asked, I will be able to get a more detailed response.

Mr GRIFFITHS: Premier, I refer you to Budget Paper 4, Volume 1, page 2.1. My question relates to the marketing of South Australia, which is an important aspect of our economic growth. The Tour Down Under was a wonderful event for South Australia and Adelaide, in particular—there is no doubt about that. The question I have arising from that, though, is: what are the terms of the contract that the government actually had in place for Lance Armstrong to take part in that event?

The Hon. M.D. RANN: I will have to come back to you on that. It is under the tourism line, it is not under DTED. It was not a DTED function, so you would have to ask the Minister for Tourism. Can I just say, though, what bang for buck! The Liberal Party attacked the Tour Down Under the year before, accusing the riders of being second-rate, which was really unfair. We had just won ProTour status—the only place outside Europe. Getting ProTour status gave us a big boost in terms of international publicity.

The timing could not be better for our Tour Down Under, being in late January, with glorious sunshine and being beamed around the world into the United States, where it was 20 below zero, Canada, or Europe, where it was freezing cold. People are looking at not some stadium that could be anywhere in the world, but they are seeing continuous coverage through McLaren Vale, the Barossa Valley, the Adelaide Hills, our southern beaches and, of course, the beautiful city of Adelaide.

Lance Armstrong's participation had an incredible impact. He had been out of riding for, I think, 3½ years. When I contacted his manager, I thought we would have a one in a thousand chance, but we got such a massive boost out of it—worldwide publicity, the number of people attending was massively up and economic generation was massively up. It was a terrific response, but you would have to ask Jane.

Mr GRIFFITHS: I respect the answer that the expenditure line may have been within tourism, but are you aware that a contract certainly existed?

The Hon. M.D. RANN: Yes, of course. He did not do it for free. Why would he? Everyone else wanted him, and we beat them. This is the thing about winning air warfare destroyers or winning various other projects. We had to invest nearly \$400 million in Techport. You have to be in it to win it; you do not just sit back. The only person who supports you in your life is your mum. The fact of the matter is that we had to get out there, we took on the world to secure Lance Armstrong, and we won.

Mr GRIFFITHS: I thank you for the comment that the only person who supports you is your mum, because my mother is in the gallery today. I refer to Budget Paper 4, Volume 1, page 2.6. I have a question about manufacturing in South Australia, a traditional industry for the state, important for our future, and suffering some challenges, no doubt, specifically the car industry. What are the Economic Development Board and the government doing to ensure the implications of Chapter 11 declarations in America and the impact that will have on Adelaide operations for Holden?

The Hon. M.D. RANN: This is particularly under Kevin Foley's area, but I can tell you some things. I was desperately worried last October when news of what was happening in Detroit reached us with, basically, predictions of a total meltdown of the car industry in the United States—Chrysler, Ford and GM. Fortunately, late last year we were involved in negotiations with the Hon. Kim Carr, the federal minister for industry, and Mark Reuss, who is the head of GM Holden in Australia, who I think is a terrific person to work with, and we were also in contact with General Motors in Detroit. Out of that concern, out of those negotiations, came a package that was announced in December last year out at Holden's by the Prime Minister, myself and Mark Reuss.

I am sure that when all the workers were called in there must have been real concerns about what they were about to be told, but we were just very pleased to be able to tell them that there was going to be what people had asked for and had wanted for generations, which was a second car at Holden, and, in terms of that, a new green car.

The state government has committed the following financial support for the automotive manufacturing industry in South Australia since 2005: \$30 million for General Motors Holden's new small car; \$5 million for labour adjustment; \$3.4 million for a Holden Safety Enhancement Project; a \$3 million loan to AI Automotive; \$700,000 for AutoCRC; and \$83,000 for Automotive Supplier Excellence Australia project (ASEA).

This might sound really strange, but in South Australia Holden is currently preparing to produce a new four-cylinder car from the third quarter of 2010, with financial support from the state and commonwealth governments totalling \$179 million. The company has provided assurance to its workers and to the state and commonwealth governments that the restructuring of its parent company, General Motors in the US, under a Chapter 11 bankruptcy filing, will not affect its continuing operations or plans to bring a new small car to market next year.

When people think of bankruptcy, they think of going broke. Chapter 11 bankruptcy was quite helpful, because it means that General Motors in Detroit can get rid of excess baggage, get rid of debts, and restructure. It has announced a whole range of initiatives, including the selling of Vauxhall in Britain, Saab and various other components. One of the areas that it singled out for reinvestment, thank God, was Holden's in Australia, and that has been incredibly important for us. So, the Chapter 11 bankruptcy provisions have been quite helpful for the Australian operations.

In addition to Holden, there are around 30 automotive supply firms in South Australia and, obviously, a concern for many of these at the present time is how to keep workers in an

environment of reduced production and, in some cases, reduced wages. Let no-one be mistaken that the package that we put together with Kim Carr and Holden's was critically important, critically important for Holden's at Elizabeth, critically important for the future of those workers, but critically important for sending the right message to Detroit that we were a place to invest in rather than a place to divest.

Mr GRIFFITHS: I refer to Budget Paper 4, Volume 1, page 2.18. The attraction of investment to South Australia is also of key importance for our economic future. I note that the government, through the Premier and, I believe, the Deputy Premier and representatives of the Economic Development Board, has been involved in investment functions on the eastern seaboard. In those discussions with people who you have tried to attract to South Australia, what are the issues that they have identified are the negatives attached to coming to this state?

The Hon. M.D. RANN: It is interesting that when I go to other states people are continually saying to me how things have changed in South Australia with the competitiveness rate. There are KPMG surveys that show us as the most competitive place in which to do business. *RESOURCESTOCKS* international, comes out in rates—I think it is about 75 or 78 mining jurisdictions—about which is the least risky or most risky place to invest. We were second best in the world after Finland. From memory, I think Western Australia was about 14th. When they were asked why it was because the government had been proactive, it had regulatory frameworks and approval processes.

So, we are getting big ticks from the mining industry, that because we are hungry to get things going things can happen more quickly here. We are getting big ticks in terms of the competitiveness work that we are doing, which has been validated by the KPMG surveys. There are companies like Ultra, from Britain, which is locating here, because obviously there is defence work. We are getting about 30 per cent, I think, of Australia's defence industry spend.

Companies which have established offices in SA include: Tiger Airways; GRD Minproc, which is an independent engineering construction business specialising in design, procurement and construction of mineral resource and waste-to-resources projects; Ausenco, a provider of innovative and high quality engineering and project management services to the global resources industry; Aker Solutions, a global provider of engineering, construction services, technology products and integrated solutions; Immersive Technologies, a global provider of operator training simulators to the mining and earthmoving industries; Ultra Electronics, a leading sonar and battle space information technologies company; Micromine, a software solutions provider for the mineral resources industry; and so on.

People do not know about you unless you raise the flag. I was not prepared to put up with what I put up with in 2002 when people were talking about South Australia being the rust bucket state, or whatever the latest word was, so we have been trumpeting our successes with business in Melbourne, Sydney, London, New York and elsewhere, because if we do not promote our state who will? There are so many who want to talk us down.

Last week I was in Melbourne at the Australian European Business Council. Any time I am invited by a business I will front up, if I can, and tell them what is happening and why it is happening. At the start people were coming up to me afterwards saying, 'I didn't know about this. We didn't know about this turnaround. We didn't know about what was happening in mining.' Now there is a different approach, they are saying, 'Yes.' They compare us to other states in terms of access to government approvals, processes, regulatory environment and competitive environment.

Mr GRIFFITHS: I refer to Budget Paper 4, Volume 1, page 2.6. It would be a dereliction of my responsibilities to not mention the need for regional South Australia to also benefit from economic development and opportunities. Can the Premier outline what the Economic Development Board is doing to facilitate regional economic development? There are enormous growth opportunities in mining, but for communities that will not benefit from mining, or at a much lower level, what is the government and the Economic Development Board doing to give those regional communities a bright future?

The Hon. M.D. RANN: Can I say that it is totally ridiculous to disregard mining. When I spoke to the EDB people and those around me back in 2002 it was, 'What can we do to diversify manufacturing in a hurry? Let's take on Melbourne and beat them on winning an \$8 billion project, and let's take on other states in winning defence projects to diversify our economy in the city with long life projects that will give us a critical mass of skills to win others.' I said, 'What can we do?', because so many times I had gone to the regions where people, particularly in the Spencer Gulf,

were saying to me, 'Our kids have to leave to go to Adelaide. Our population is declining. What can we do to help mining and to help the regions?'

Obviously, our mining initiatives—which have gone from four mines to 20 mines by the end of next year—are and will have an extraordinary impact. When you go to some of these mines there are people there from the Barossa Valley, Wudinna, and those sorts of areas, from all over the state, and they are going back—because often they are fly-in and fly-out—and putting that money into their communities.

I mentioned earlier on the sort of work that Andrew Fearne has been doing in the regional areas with the supply chain work, and the work that Laura Lee is doing with the Barossa region. In so many areas we work with regions. I think regional development has been spectacularly successful. Cities in decline, such as Whyalla and Port Augusta, are now talking to us about how they can manage new housing estates. Mining has been the mother ship of it—and it will continue to be so.

We took a group of people from South Australia to Escondida, Chile. It is a BHP Billiton copper mine and at the moment it is the biggest mine in the world, until Olympic Dam is established. It is not just the mining but also the suppliers to the mines. We went to Antofagasta, which is about two or three hours drive from Escondida, and another mine called Spence, both of which are BHP Billiton mines. It is a similar distance between Port Augusta and Olympic Dam.

The reason we have taken people there is to show them the supply hub. If there are 10,000 people at Escondida, they have to be fed. Because of earthquake policy, they have to have nine or 10 days' supply in advance. Every morning, all day, there is a flotilla of semitrailers heading inland to Escondida to supply people with food. There is a production hub at Escondida and other regional centres to supply the mine. It is not just people working underground, but also people working in the IT services and people who repair or install television sets. It is the dry-cleaning and laundry work that must be done.

We have taken people from South Australia, particularly from our regional areas, to introduce them to those who are supplying the mines so that they can see a way in which they can be successful in winning the contracts that come from that.

The CHAIR: The time has expired for examination of these lines. Therefore, I declare the examination of the proposed payments adjourned until 26 June. We will now move to the arts.

ARTS SA, \$146,655,000

Membership:

Ms Chapman substituted for Mr Griffiths.

Witnesses:

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

Hon. J.D. Hill, Minister for Health, Minister for the Southern Suburbs, Minister Assisting the Premier in the Arts.

Departmental Advisers:

Mr C. Eccles, Chief Executive, Department of the Premier and Cabinet.

Mr G. Mackie, Acting Deputy Chief Executive, Departmental Affairs, Department of the Premier and Cabinet.

Ms A. Reid, Acting Executive Director, Arts SA.

Mr J. Andary, Director, Arts Development and Planning, Arts SA.

Ms J. Worth, Director, Cultural Heritage and Special Projects, Arts SA.

Ms H. Richardson, Acting Director, Strategy, Policy and Initiatives, Arts SA.

Mr P. Lambropoulos, Manager, Financial Planning and Business Advice, Arts SA.

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

The Hon. M.D. RANN: I introduce John Hill, Minister Assisting the Premier in the Arts, but I should say my co-minister. When I was minister assisting in multicultural affairs, I used to go to lots of dances, but in terms of the arts we have different line responsibilities although we work collegiately. I have responsibility for the Adelaide Festival of Arts and Minister Hill has responsibility for the Adelaide Festival Centre. There is direct reporting. The Art Gallery and the Museum report directly to me. The State Library, Country Arts, the orchestra and the State Theatre Company report directly to the minister. Obviously, we meet often and collectively with our officials and the industry to ensure it is seamless.

The CHAIR: Premier, do you or the minister assisting have an opening statement?

The Hon. M.D. RANN: Against a backdrop of unprecedented global economic and environmental challenges, the state government continues its support for the arts and cultural sector through targeted investment and initiatives. In 2009-10, Arts SA's total budgeted operating expenditure is \$126.7 million. This represents a 7.8 per cent increase against the previous budget. The last 12 months have seen, yet again, record breaking attendances, particularly at the Adelaide Fringe, and we also did well at WOMADelaide. The recently concluded Adelaide Cabaret Festival—the first under new Director, David Campbell—produced record ticket sales and was an outstanding success. It drew total attendances of more than 48,000 for all events, and sales for ticketed events reached \$36,000. This represents 105 per cent of the event's budgeted target and is an increase of 17 per cent on last year's ticketed attendance figures.

In 2009, the Adelaide Fringe sold 187,000 tickets and there were more than one million attendances at its paid and unpaid events. It attracted an estimated 29,000 visitors to our state and generated total expenditure estimated at \$27.2 million.

I am also pleased to report that the 2009 BigPond Adelaide Film Festival held in March was an artistic and commercial triumph. The festival featured 22 world premieres and 62 Australian premieres, including *Lucky Country*, the brilliant Cannes Film Festival winning *Sampson and Delilah*, and *Beautiful*. Overall attendances increased by 30 per cent from 2007, with 18 per cent of sessions sold out.

What sets this film festival apart is the Adelaide Film Festival Investment Fund, which allows for investment in the highly creative films that bring economic benefit to our state. In 2009, 12 films received assistance through the fund, and that is just terrific: it is about an industry in this state and it is also about how we define ourselves. One of those films was *The Cat Piano*, created by Adelaide's People's Republic of Animation. *The Cat Piano* has been accepted into the official Short Film Competition at the Annecy International Film Festival, which means it will be eligible for an Oscar nomination.

You think about the film festival—*Ten Canoes*, *Look Both Ways* and, most recently, *Sampson and Delilah*, all just being massively heralded at the Cannes Film Festival. It is very hard to get into the Cannes Film Festival. A few years ago, of the four films from Australia (and I imagine the makers of hundreds of films would like to be there), three were from South Australia. So, we are very pleased with our continued success. *Sampson and Delilah* was awarded Caméra d'Or for best debut feature at Cannes.

In March 2009, South Australia also staged the Australian International Documentary Conference, which attracted 596 local, national and international delegates. We have secured this conference on an annual basis until 2012. The National Screen Writers' Conference was another sell-out success, and we are hoping to again hold that conference in Adelaide in February 2011.

The success of these events plus the establishment of the Adelaide Film and Screen Centre augurs well for the future of South Australia's filmmaking industry. It is undergoing its most exciting revitalisation in decades, and the centrepiece will be the state-of-the-art \$43 million Adelaide Film and Screen Centre project at Glenside. The centre will not only be the new home for the South Australian Film Corporation's administration but it will also make office space available for creative industries involved in film production and media industries. A key focus of the project is to provide filmmakers, including filmmakers with a disability, access to a suite of services that are not available in any other single location in Australia.

Film and television production in South Australia increased almost 20 per cent in 2007-08. While the continuing growth of the production industry in South Australia is great news, there are

ongoing concerns about our ability to maintain this level, let alone build further growth without these new facilities.

The response to our festivals and events over the last 12 months clearly indicates that we will meet our Strategic Plan target to increase audiences at selected arts activities by 40 per cent by 2014. Attendances are currently 32 per cent ahead of target. Despite the impact of the global downturn, people are still engaging with the arts. That is why the government is determined that arts and culture remain accessible to the wider community through a selection of high quality and free entry arts experiences. Next year (and I want to say this in the most bipartisan way) in March there will be a special Adelaide Festival and a special Adelaide Fringe—

An honourable member: That's for the election.

The Hon. M.D. RANN: —because they will celebrate their 50th anniversary. Both are planning major events and activities to celebrate this important milestone—and even though there will be an election on, it will not stop either me or, I am sure the deputy leader, from going to Writers' Week and dancing at WOMADelaide, and so on.

Ms Chapman interjecting:

The Hon. M.D. RANN: Thank you. I look forward to that. Our heritage collections are among the finest in the country, and safeguarding that cultural legacy for future generations is a key government priority. Through the 2009-10 state budget, the government has allocated \$2.5 million over four years primarily to improve security and management at the Art Gallery. That investment will also upgrade the CCTV security system across the North Terrace cultural precinct.

The Art Gallery of South Australia is poised to build on the success of its 2007 exhibition Egyptian Antiquities from the Louvre, which drew significant visitor interest from outside South Australia. From May 2011, the gallery will host a major design exhibition from the Bauhaus in Berlin. The Art Gallery estimates that 20 per cent of visitors for this exhibition will come from outside the state, and it will generate an economic benefit of up to \$2.6 million. I hope that gives a bit of a snapshot of the arts budget.

The CHAIR: Does the member for Heysen have a statement to make?

Mrs REDMOND: Just my usual very brief comment. Every year I start estimates by commenting on what a useless process I think they are in this state. I say that on the basis that I do not for a moment deny any government, since it is in government, the right to set the budget according to its priorities. However, equally, I think the opposition—and, indeed, I suspect others in addition to the formal opposition—would be interested to examine the budget, and our right to do that is fundamental. However, in this state it seems to me that it is to the point of sometimes being farcical, and I can see no reason why we cannot develop a better system.

I recently had the benefit of meeting with a number of people at a CPA conference in Sydney. New South Wales very much uses the system that is used by the Senate in its budget estimates process. In fact, Norfolk Island had a representative, and it has such a small parliament that it invites a couple of community members to participate, and I think there would be something to be said for having a couple of members of the community being able to ask some questions.

The only comment I want to make on the arts portfolio, before I start asking some questions, is that in my view the arts is an area in which there should be at least a relatively bipartisan approach on many aspects, although our emphases might be different. My concern is that, in any economic downturn, it is the arts which seems to suffer first, almost as though it is a sort of giveaway that does not matter and it is considered unnecessary and therefore able to be cut and, obviously, I have some questions about the savings initiatives in relation to this portfolio.

They are the only comments I want to make, Madam Chair, but I ask for some direction from you, because I was not here earlier, as to whether the omnibus questions have yet been read into the record?

The CHAIR: They have not.

Mrs REDMOND: I think I will do that first, to give the Minister for the Arts and the Minister Assisting the Premier in the Arts time to gather their thoughts. These are the omnibus questions.

1. Will the minister 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 minister provide a detailed breakdown of expenditure on consultants and contractors in 2008-09 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 will there be at 30 June 2009, 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 2008-09, for all departments and agencies reporting to the minister, what underspending on projects and programs was not approved by cabinet for carryover expenditure in 2009-10? How much was approved by cabinet?

5. (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 2009; and

(ii) Between 30 June 2008 and 30 June 2009, will the minister 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?

6. For the years 2008-09 will the minister 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 grant, and whether the grant was subject to a grant agreement as required by Treasurers Instruction No. 15?

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

Those are the omnibus questions.

The Hon. M.D. RANN: Can I respond? Do you want me to have a go at answering those now?

Mrs REDMOND: No.

The Hon. M.D. RANN: Usually, in terms of the consultants and small grants, it is just going to consume the Public Service forever. So, normally, there is a cut-off point above \$10,000 or \$8,000, or whatever it is, and in that way it means it is the serious stuff rather than consuming hundreds of people on a totally wasted exercise. Did you want to make it above \$10,000 or something?

Mrs REDMOND: I recall that from previous estimates, and I am quite happy if the report in relation to consultancies is for those over \$10,000.

I cut straight to the chase and refer to Budget Paper 3, page 2.9. Under the memorandum of items for savings targets in the coming year there are savings initiatives, the first of which is Arts SA administrative efficiencies which sets out figures of \$200,000 for the next year and for the forward estimates. Can the minister advise what administrative efficiencies are going to be targeted and what impact that will have on the provision of services by Arts SA?

The Hon. M.D. RANN: I think I mentioned that in 2009-10 Arts SA's total budget operation expenditure will be \$126.7 million. That represents a 7.8 per cent increase against the previous budget, which I think most departments would be grateful for. As I have often said to people, it is useful to have a premier and a senior minister as the ministers for the arts in South Australia. We know how important it is in terms of our branding, creativity and innovation.

However, there will be savings. Arts SA will contribute \$330,000 of savings towards the Department of the Premier and Cabinet's 2009-10 savings requirement. These are savings that come from the following four areas: Arts SA strategic funding; university partnerships; increase in funding for Arts SA's industry development program (once off, \$50,000); and a research fellowship of \$10,000. That gives a total of \$330,000.

Mrs REDMOND: I am puzzled even more. How does the figure of \$330,000 relate to the administrative efficiencies delineated as \$200,000 for this year and the forward estimates years on page 2.9?

The Hon. M.D. RANN: I think you have got the \$200,000, which is the Arts SA strategic funding, but the combined total is \$330,000.

Mrs REDMOND: Can the minister tell me what is going to be cut in the administration of Arts SA in the current year?

The Hon. M.D. RANN: Well, they have done incredibly well with a 7.8 per cent increase to arts across the board. There is extra funding for a range of activities, including (you will be pleased to know) the 2010 Festival of Arts, which will be fantastic. I am looking forward to that and will be out every evening, I hope. Essentially, there is a savings target of \$330,000 and those efficiencies will be achieved with minimal damage, given the increase in the budget.

Mrs REDMOND: I can see that there is a total of \$330,000 from the two lines of the administrative efficiencies and the grant reductions that are the savings targets. However, can you provide any more detail on what exactly will happen if you take out \$330,000 from your arts administration (I am only concentrating on the \$200,000 figure, not the \$130,000 figure)? You mentioned strategic funding and industrial development, I think, and a research program. Can you explain what will be cut in administration?

The Hon. M.D. RANN: I can explain. Basically, money is put aside in all government departments for contingencies—that is, for things as they come up. That is being cut away, so when people come up and say, 'Look, we've got a problem; we might need an extra \$10,000 or \$20,000 for this festival,' the money will not be there. So, whilst there has been a 7.8 per cent increase in the overall budget, the specific fund that was there for contingencies which may arise has been cut \$200,000. It just gives the department less flexibility to jump in and help out along the way, but that is just the way it is at the moment. We have to be fiscally rigorous. In fact, I sometimes think that 'fiscal rectitude' are my middle names.

Mrs REDMOND: I certainly think the latter of those might form part of your middle name, Premier. Can the Premier then explain how much is currently in the contingency fund? I want to get at the effect of this \$200,000 administrative efficiency.

The Hon. M.D. RANN: I will take that on notice and get the information. It was a way of achieving a saving that did not hurt people out there, in terms of cutting money from the Art Gallery or the Museum.

Mrs REDMOND: Turning to Budget Paper 4, Volume 1, page 1.125: Arts Industry: Development and Access to Artistic Product, I notice that employee benefits and costs in the income statement on that page will be less than in the current year. Looking at the administrative efficiencies I have already asked about, and the reduction in the employee benefits and costs, is it the case that fewer people will be working in the arts administration area?

The Hon. M.D. RANN: Apparently it is a reclassification matter primarily associated with Artlab, but I will get you a report on that.

Mrs REDMOND: Madam Chair, are you happy for me to—

The CHAIR: That is three, but I am not getting much movement on the right.

Mrs REDMOND: I am happy to keep going, Madam Chair. Moving on to that second line of grant reductions, I think the Premier mentioned a minor research program; however, in terms of the make-up of the grant reductions for the current year—and I notice that it is an even higher savings initiative in the forward estimate years—what makes up the \$130,000 for grant reductions?

The Hon. M.D. RANN: It is: university partnerships \$70,000; increase in funding for Arts SA industry development grant program one-off reduction of \$50,000; and one of the research fellowships has gone, of \$10,000. We had to make some cuts somewhere, and those were the areas.

Mrs REDMOND: What was the nature of the university partnership?

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

Mr MACKIE: The research fellowship that the Premier identified relates to an arts management fellowship partnership with the University of South Australia, which has not been

activated for the last two years. So, in the quest for efficiencies, we have made the decision to withdraw that program.

Mrs REDMOND: So it will not have any actual effect; the reduction of \$70,000 in that program in particular was not actually happening anyway. Do I understand that correctly?

Mr MACKIE: The \$10,000 that you refer to, which has been provisioned for the last couple of years, has not been activated, so we have decided to withdraw it. In respect of the \$70,000 component, Arts SA also periodically enters into strategic partnerships with our three public universities and always reserves the right to review those on a periodic basis. A decision has been taken to withdraw \$70,000 of those partnerships effective calendar year 2010.

Mrs REDMOND: I seek clarification on some figures given in this and previous years' budgets. I refer to Budget Paper 3, page 2.7:

The budget also provides \$2.5 million over four years to upgrade infrastructure at major arts institutions including the Art Gallery of SA.

When we get to table 2.3 over the page, there are figures for arts heritage infrastructure of \$140,000, \$112,000, \$76,000 and \$95,000 over the four years. Further down, near the bottom of the page, for Arts Heritage Infrastructure—Upgrade there are figures of \$491,000, \$1,295,000 and \$323,000. Are they the figures that go to make up that \$2.5 million? Where is the \$2.5 million shown?

The Hon. M.D. RANN: Perhaps I can put this into context. The permanent collections of, for instance, the Art Gallery of South Australia, are valued at over \$600 million. Besides exhibitions of its permanent collections, the gallery also has visiting exhibitions and collections from around the world of major cultural significance and value, such as the coming Bauhaus Exhibition.

The protection of these assets and the valuable collections within these buildings is obviously a priority of government (as it was of your government). Through the 2009-10 state budget the government has allocated \$2.532 million over four years to upgrade the Art Gallery's security systems in 2009-10 and \$631,000 has been allocated to improve security management systems at the Art Gallery. This funding will commence the implementation of state-of-the-art security systems for the Art Gallery. That is new money. Mr Mackie has advised me that that is new money, on top of the previous commitment.

A commitment of \$2.5 million over three years has been made to replace the air conditioning and upgrade the lighting in the Elder and Melrose wings of the Art Gallery of South Australia. The air conditioning in the Elder and Melrose wings has been running continuously for 40 years and is in need of replacement. The lighting in the wings does not meet curatorial and public expectations for gallery displays, nor is it energy efficient. Continuous and reliable climate control is essential to protect South Australia's valuable art treasures, as well as to ensure the comfort of visitors to the Art Gallery. Greening of the gallery is part of the government's ongoing commitment of the SA Strategic Plan target to improve the energy efficiency of government buildings by 25 per cent.

Mrs REDMOND: Is that the \$2.5 million that appears on page 8 of Budget Paper 5, under the heading 'Works in progress for the Art Gallery Board'?

The Hon. M.D. RANN: I think I have explained that some of it is security and some of it is lighting and air conditioning.

Mrs REDMOND: My puzzlement is simply that that is noted as \$2.5 million, and that is fine because it matches with the figure earlier, but it also indicates that most of that money will be spent this year and that completion is by June 2010. So I am puzzled as to why the papers say that the \$2.5 million is over four years.

The Hon. M.D. RANN: Perhaps I will invite Mr Mackie to explain.

Mr MACKIE: I hope I can explain this in a simple way. The previous commitment that the Premier referred to (to upgrade the air conditioning and lighting at the Art Gallery of South Australia) was a program over, I think, three financial years which had already commenced. There is a component of that spend in the forthcoming financial year. In addition, in the budget which has recently been announced and is reflected in the budget papers, there is a new commitment of \$2.532 million over the coming four years for the security upgrade. We have a compounding impact of a series of capital initiatives which is on top of the existing provision we have from year to year for maintaining our heritage assets and, indeed, the other 75 buildings in our property portfolio.

Mrs REDMOND: Where Volume 3, page 2.7, refers to major arts institutions, including the Art Gallery of SA, what are the other major art institutions that are sharing in that \$2.5 million and how much are they getting?

Mr MACKIE: It is not broken down in line-by-line detail; it is an accumulation of a series of programs (such as the two that I just referred to) that are reflected in that total.

Mrs REDMOND: In Budget Paper 5 at page 7 there is a figure given for the staged rejuvenation of the Dunstan Playhouse auditorium and public foyers, art space and restaurant at the Adelaide Festival Centre, with a total estimated cost of \$8 million. I have been aware of that for some time. From my reading of it, it looks as though there is basically one-quarter of that still to be expended and that the project is due to be completed by June next year. One of the issues that has been raised with me about the rejuvenation is that it is very much window dressing and what is happening is that the foyers, as it says here, the public areas, are being rejuvenated by this \$8 million upgrade but that, behind the scenes, things such as the mechanisms for lifting sets and so on are not being addressed and nor are there any plans for them to be addressed. Indeed, I have had some expression to me of occupational health and safety concerns. Will the minister comment on that?

The Hon. J.D. HILL: As the member indicated, we are spending \$8 million over three years to refurbish and upgrade the Dunstan Playhouse. That was a commitment the Premier made on the stage of the Dunstan Playhouse in the lead-up to the previous election. Just over \$5 million was allocated for the 2008-09 year. In 2007-08, stage 1 of the project was completed and that comprised refurbishment of the auditorium including carpets, seating and painting. I may just say it is not kind of tarding the place up so that it looks better; the seating was falling to pieces and that was literally the case. I remember being in the production of something a few years ago when a gentleman (admittedly, rather portly) went through the seat and ended up on the floor. So, it was certainly part of the health and safety of the audience that the seats be replaced, and the carpets, obviously, were well and truly past their prime. We also spent \$1.2 million on production equipment, so there was some contribution to the behind-the-scenes elements.

Stage 2 was completed on 25 March this year. This stage included the refurbishment of the foyer of the Dunstan Playhouse, including painting, carpet, reception counter and bar, and renovations to the bistro and associated services. If you have used the toilets in that area, you will know that they have been refurbished as well, and that was certainly well and truly overdue.

This stage also included the design and documentation for the installation of disability seating within the auditorium. It is fair to say that this part of the project has taken some time and, indeed, in the middle of the project, the national standards for disability seating changed, so that had to be reconsidered. In fact, it doubled in size so that changed the profile and the cost and that had to be rethought through.

Stage 3 of the project involves the remodelling of the auditorium to address disability access and seating requirements, and that is a significant expense. Design and documentation of this stage will be completed in this coming financial year together with the procurement of the lift hoists and the associated finishes. So, all of that pretty extensive work needs to be done.

Construction work associated with stage 3 of the project is to be undertaken during the programming break for the Dunstan Playhouse between December 10 and February 11. The project will be completed by March 2011. I think it is fair to say that there are other issues at the Adelaide Festival Centre, including the Dunstan Playhouse, that need to be addressed, and I would hope that in future budgets as finances are available we will be able to address them.

Mrs REDMOND: Can the minister give me any indication as to whether there is currently planning in place to examine, identify and at least make plans for the future for addressing those issues that have been raised with me?

The Hon. J.D. HILL: It is fair to say that there is thinking going on about the next stages and what needs to be done. There are a whole lot of ambitions that the Festival Centre has which are shared (in part, at least) by government about how this set of buildings, which has served our state very well as we head towards the 40th anniversary of the centre, should be reconfigured. Some of the issues need to be addressed and that is all being thought through.

It has just been indicated by Mr Mackie that, as part of the \$8 million, there is some money put aside for some lighting equipment, so it is not exclusively for front of house and patron comfort. Some of the expenditure is essential from a technical point of view, some of it is essential from a disability point of view and some of it is essential for basic safety of patrons. It is true that more

needs to be done, but you could say that about any building or any program in the whole of government.

Mrs REDMOND: The minister assisting the Premier commented on someone having trouble with a seat. I have noticed in some of the theatres, particularly the more modern theatres, that there is more space for walking along because one trembles at the idea that someone might actually fall into the lap of someone else as they are walking past. I wonder whether, over time, there might be consideration of changing the seating configuration to provide more walking room between the back of the seat in front and the people who are already seated.

I will move on to my next question, which relates to Budget Paper 3, page 2.8. There is a significant figure of \$890,000 for the reduced scope of the Lion Arts Centre upgrade. Can the minister please explain what is that reduced scope, what does it entail, and why has there been a change?

The Hon. M.D. RANN: The Lion Arts Centre is home to a variety of arts organisations: JamFactory Contemporary Craft and Design, the Experimental Art Foundation, the Media Resource Centre, Nexus, the Multicultural Arts Centre, the Feast Festival, Leigh Warren and Dancers, Ausmusic SA, South Australian Living Artists (SALA) Festival and the Patch Theatre Company.

The 2006-07 state budget provided \$1.8 million for upgrade work for the Lion Arts Centre including a public arts signage project. Detailed concept work revealed that the committed funding could not achieve the full structural upgrade originally contemplated for the Fowler's building. A revised scope of works resulted in reduced expenditure on the project. Work on the centre is continuing through 2008-09 with a focus on critical infrastructure. Most of the following works are scheduled for completion by 30 June, but some works will continue until September 2009. Some of these works include:

- External repairs and painting of the facade. The Lion Arts Centre buildings have not been painted since construction and this is now urgently required to maintain the asset in good condition.
- Electrical works in the Experimental Art Foundation/JamFactory. This occupational health and safety work entails the replacement of redundant emergency lights and office lighting where parts are no longer available.
- Experimental Art Foundation balcony repairs. This urgent occupational health and safety work involves the replacement of a dilapidated timber balcony (which serves as a staff break-out area) with a steel balcony.
- Experimental Art Foundation/JamFactory mechanical services upgrade. This work is again an occupational health and safety services upgrade entailing the replacement of air conditioning units not fit for service and improvements to heat ventilation.
- Media Resource Centre/Nexus fire indicator panel upgrade including a new fire indicator panel room. The current fire indicator panel which is poorly located in the Mercury Cinema foyer is a public safety issue. The installation of a new panel will redress this issue and other issues across several buildings. Replacement of thermal detectors with smoke detectors. The current detectors utilise outdated technology and may not detect smoke as adequately as they should. This is a public safety issue.
- JamFactory sunhood repair and replacement works. The sunhoods, an original feature of the building, are decaying and require rust treatment and repainting to improve their appearance. This work will also include a treatment to prevent pigeon infestation.
- The proposed upgrade includes an innovative public art project in the form of a new sign for the centre on the Fowler's building, located on the corner of North Terrace and Morphett Street. The aim of the project was to improve the centre signage and visibility to the community.

I should say that, in 2006-07, the government made a commitment of \$1.8 million over four years, intended to provide for upgrading the air conditioning, improving access, and undertaking an external upgrade of the Lion Arts Centre. To date, the project has expended \$211,000. It is further estimated that \$699,000 will be expended on the Lion Arts Centre project on urgent works, including mechanical and fire protection works, building services and painting and refurbishment by 30 September 2009.

Mrs REDMOND: I thank the Premier for that comprehensive indication of what was covered by the proposed upgrading. Many of the things that have been outlined seem to be either public safety or occupational health and safety issues. Therefore, I would still like to know in what specific areas there is a reduced scope that has enabled the budget to be reduced by \$890,000 this year.

The Hon. M.D. RANN: Maybe I will ask Ms Reid to fill in the gaps there. I was trying to be comprehensive.

Mrs REDMOND: I thank the Premier for being comprehensive about the scope of the project. What I am interested in is the reduction in scope, which shows as \$890,000.

Ms REID: That is right, and that is made up of works to address some access issues and air conditioning.

Mrs REDMOND: But, I understood from the Premier's statement that the air conditioning was considered a public safety and/or occupational health and safety issue; so, how is it that those things are not being continued?

Ms REID: The items the Premier referred to are works that are going ahead. There were works planned in the Fowler's building, as he suggested, around air conditioning and access that will not go ahead; but all of the works that the Premier listed will go ahead.

Mrs REDMOND: The very bottom line on page 2.8 of Budget Paper 3 may or may not come within Arts; I cannot tell whether it does. It talks about savings initiatives with a savings target of nothing for 2010-11 or 2011-12, but, suddenly, \$3.9 million in 2012-13. If any of that is within the Arts sector, what part of that \$3.9 million is within Arts and where is it going to be achieved and from what parts of the Arts portfolio?

The Hon. M.D. RANN: As I understand it, the department as a whole—that is, the broader department in all its magnificence—has yet to determine the apportionment. The budget has just come down, and they know what they have to comply with. Arts is \$330,000, and we have already detailed that.

Mrs REDMOND: Premier, you say that Arts is \$330,000, but that \$330,000 is identified as savings for this year, and \$345,000 for next year, \$345,000 for the year after that, and \$345,000 for the year after that. The line that I am referring to shows no savings for this year, next year or the next year but, suddenly, \$3.9 million in savings in 2012-13.

The Hon. M.D. RANN: Obviously, DPC, which is much bigger and covers a whole range of areas, of which Arts SA is a part, will have to have other cuts which have not yet been apportioned, but there will be other savings. We announced those in the budget, and they will comply the same as other departments will in achieving savings. This is 2012-13.

Mrs REDMOND: Can I ask a supplementary on that? I just want to get it clear. Is the answer, then, that that \$3.9 million forms part of the \$750 million that is the unidentified savings that are going to be made somewhere in the future?

The Hon. M.D. RANN: Yes, and, just as we did in 2002-03, we will achieve them.

Mr KENYON: I refer to Budget Paper 4, Volume 1, Portfolio Statement, pages 1.23 to 1.24, Program 5: Access to Art, Museum and Heritage Services and Preservation of State Collections. Can the minister inform the committee about the major design exhibition?

The Hon. M.D. RANN: I think that we have had some spectacular exhibitions over the years. The Egyptian Antiquities from the Louvre was one of the most outstanding shows that we have seen at the Art Gallery. We have seen so many—exhibitions of Aboriginal art, exhibitions of Hans Heysen—but we also have visiting exhibitions, and, over the years, they have proven particularly successful.

We will present for the first time in Australia an exhibition exclusively sourced from the prestigious Bauhaus in Berlin. We think this exhibition will support the South Australian Strategic Plan target to increase visitation to South Australian cultural institutions by 20 per cent. Modelling this target has shown that one significant blockbuster exhibition a year increases attendances across the North Terrace precinct; so there is collateral value. A prestigious and unique exhibition such as Bauhaus—which I know Christopher Menz, the director, and Michael Abbott QC, the chair of the Art Gallery board, are particularly enthusiastic about—is expected to draw a large number of visitors to South Australia's cultural institutions, and a large number of visitors from interstate.

The Bauhaus was the most influential design and art teaching institution during the 20th century. Works of art and design produced through the Bauhaus include many design icons of the 20th century. The exhibition is scheduled to open in May 2011 at the Art Gallery of South Australia and will then go on to the Sydney Powerhouse Museum in August-September and to the Christchurch Art Gallery in October-November.

Mr KENYON: Budget Paper 4, Volume 1, Portfolio Statement, pages 1.25 to 1.6, Program 6: Arts Industry Development and Access to Artistic Product. Could we have some information on The Little Big Book Club, and perhaps some of the outcomes achieved highlighted?

The Hon. M.D. RANN: I want to praise the *Adelaide Advertiser*. The Little Big Book Club is a South Australian initiative that aims to develop early childhood reading and literacy throughout the South Australian community by encouraging and supporting parents and caregivers to read regularly to their children from an early age. This initiative offers a range of resource materials and guidance to parents and caregivers, many of whom do not access other government early childhood programs.

Each year, free reading packs are distributed to all babies aged six to 12 months through children's, youth and women's health centres and public libraries. The reading pack includes a picture book commissioned by The Little Big Book Club especially designed to introduce babies of this age to books and reading. All of us who listened to Mem Fox know how important it is to read to children at an early age. So, what The Little Big Book Club does is perfect to feed into the highly successful Premier's Reading Challenge.

Over the last three years, 55,000 reading packs have been distributed in South Australia. This commissioning program is building the number of high quality Australian publications, as well as providing commissioning opportunities to South Australian authors, illustrators, photographers and publishers. Since 2006, four books have been commissioned: *Baby Baby*, written by Phil Cummings and illustrated by Greg Holfield; *The Only Me* by Meredith Harvey and Amanda Graham; *Baby Gets Dressed* by Katrina Germein and Sascha Hutchinson; and *See Me Move* by Sascha Hutchinson and Heidi Linehan in 2009. A fifth book is currently in development for 2010.

This is a terrific project. *The Advertiser* has been very influential. I remember when Mel Mansell came to see me about The Little Big Book Club. It is a wonderful partnership, and it is in everyone's interests that our children's literacy be improved. We know that high quality, universal early childhood development and parenting programs, as well as the involvement of parents in children's early learning and development, have a positive impact on lifelong behaviour, learning and health.

The Little Big Book Club has expanded nationally, with aspects of the program now delivered in all states and territories through a funding partnership between the Australia Council and government and corporate partners, particularly *The Advertiser*. Following the success of The Little Big Book Club since its inception, the state government is proud to support this initiative with \$250,000 per year for a further four years, from 2009-10 to 2012-13, which will secure the future of this initiative and ensure its ongoing success.

Ms CHAPMAN: I refer to Budget Paper 5, page 7. You will see at point 5 and also point 9 of that page there is reference to the Adelaide Film and Screen Centre which is underway at the Glenside Hospital site, and I think the Premier's department is now the registered proprietor of 2.77 hectares in the middle of that site. My first question is: how much has been provided in the 2009-10 year to provide a new place of worship for the patients and staff of the Glenside Hospital upon their eviction as of 30 June—that is a few days away—from the current chapel, which of course is to be occupied by the Film Corporation?

The CHAIR: Premier, that does sound like a question for the Minister for Mental Health and Substance Abuse, but if you are able to assist you are welcome to.

Ms CHAPMAN: It is his project. I am asking how much has been allocated in that budget.

The CHAIR: You asked a question for mental health patients, not about the—

The Hon. M.D. RANN: That part does not come under my budget.

Ms CHAPMAN: So, there is nothing in your budget for the property you have just taken over?

The Hon. M.D. RANN: We have not taken it over yet.

Ms CHAPMAN: On 30 June they are moving out. It is already progressing down there at the site.

The Hon. M.D. RANN: It is progressing, but we have not yet taken over.

Ms CHAPMAN: Same reference: is the Premier aware of when the tenancy of the Film Corporation expires at the Hendon property, and the penalty payable upon vacating that property before the lease expires?

The Hon. M.D. RANN: June 2011.

Ms CHAPMAN: Is it intended that the new film hub then will remain empty until the expiry of the lease?

The Hon. M.D. RANN: I would imagine there would be a phased withdrawal. There is no-one in the industry who I have spoken to who has not told me that the Hendon film studio is now totally inadequate for the task. I am sure you have been down there and had a look. It was fantastic in the 1970s, but if we are going to maintain production of major feature films and other films in this state, the industry, with common voice, has called for new facilities.

Other states have those facilities. Victoria's facilities are terrific, and they have them in New South Wales and Queensland. This is about an industry. This is about a creative industry. This is about jobs for the future. We have been doing brilliantly in this area, we now have a renaissance in the film industry, and we need new studios. So, I would imagine that as soon as the facilities at Glenside are completed you will see a progressive withdrawal of services from Hendon. That would make eminent sense.

Ms CHAPMAN: My final question is: have you budgeted in this proposal for the purchase and/or rental of the Chelsea Cinema as a screening facility for the Film Corporation?

The Hon. M.D. RANN: No. No-one from the industry has suggested that. We have been helpful in terms of the Chelsea Cinema. I will be inviting Kevin Foley, who has been very supportive of this, down to the studios to open—

Ms CHAPMAN: That is not what he said a week ago. He said it was the worst priority in the state, did he not?

The Hon. M.D. RANN: —one part of it which will be known as the Foley suite, or the Foley studio.

Ms CHAPMAN: He will be riveted.

The CHAIR: The time allocated for questioning of this line having expired, I declare the examination of the proposed payment completed. Thank you to the advisers and thank you to the ministers.

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

AUDITOR-GENERAL'S DEPARTMENT, \$13,455,000

Membership:

Mr Hamilton-Smith substituted for Ms Chapman.

Mr Griffiths substituted for Ms Redmond.

Departmental Advisers:

Mr S. O'Neill, Auditor-General.

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 declare the proposed payments open for examination and refer members to the Budget Statement, in particular Appendix C. Premier, do you have an opening statement?

The Hon. M.D. RANN: No, except to say that we are incredibly well served by our Auditor-General. The Auditor-General's office and its role is critically important to good governance in South Australia. The performance of the Auditor-General and his staff is regarded as national benchmark setting. They are proactive rather than reactive. They are there to help us ensure that government is performed in the best way possible. We greatly appreciate the Auditor-General's role. Perhaps his staff do not get the commendation they deserve. Over many years the Auditor-General and the Auditor-General's office and department have served this state in an exemplary way.

The CHAIR: Leader of the Opposition, do you have a statement?

Mr HAMILTON-SMITH: No, other than to thank the Auditor-General and his staff for the great job they do. It is greatly appreciated by all members of the opposition. I refer to Budget Paper 4, Volume 3, page 14.1, Targets. What work is being done for the Auditor-General's 2008-09 report on the government's Shared Services program and the success or failure of the savings measures linked to it?

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

Mr O'NEILL: As you are aware, the 2007-08 Annual Report of the Auditor-General to the parliament, Part A, the overview, gave fairly detailed commentary with respect to the establishment of the Shared Services program of government and its implementation. In November 2008 I indicated to the Economic and Finance Committee that it was important that this significant initiative, which is a major administrative restructure initiative and which is looking to achieve considerable savings as part of the overall programs of government, is subject to fairly detailed scrutiny. We made detailed commentary on its first year of essential operation in 2007-08.

We have proceeded to undertake detailed review work in respect of the program. Most of the three core financial services programs and many agencies have transitioned during the year. As part of our financial compliance program, and looking at some aspects of the efficiency and effectiveness of the process of transition, that review process is currently underway with respect to a number of agencies.

We also have a focused review program with respect to the Shared Services SA agency itself. My intention is to report on the outcomes of those reviews, both at agency level and in respect of Shared Services SA, in my forthcoming report to parliament.

Mr GRIFFITHS: I have a supplementary question. My understanding is that the Auditor-General's Report (to which you referred from 2007-08) identified a \$103 million debt between the savings target and what could be identified as being achieved within the data you were able to review. Is that still your current understanding, and have you done any further work on it since then?

Mr O'NEILL: As previously indicated, we are looking at aspects of all areas of shared services, including the balance of savings. I do not have before me, because of the departmental estimates, my Part A Audit Overview. I think the balance of savings to be achieved was in the order of about \$103 million, as you rightly suggest. So, that is an area of focus and an area of comment in the report to parliament.

I think it would be inappropriate to indicate the findings of our audits, because those audits are in progress. We need to go through what I think is the proper audit process and that is, as we have done in some respects with some agencies, to identify issues. They are being subject to audit management letter correspondence to agencies—and, indeed, with Shared Services SA, should issues be identified—and we are exploring issues with respect to the current budget, taking up matters of inquiry with the Department of Treasury and Finance. I would like to see that process complete and to be able to properly conclude and comment in the forthcoming report.

Mr HAMILTON-SMITH: On the same subject and the same reference, there is a challenge with respect to accountability in trying to track the government's savings targets—not only shared services but also others—stated in one budget to the next. Often the savings targets set in one budget are not necessarily fully enunciated and explained in the subsequent budget. Therefore, one looks to the Auditor-General's Report to try to track whether or not those savings targets have been met. Is any work underway or is there any scope to better reflect and reveal the measurement of those savings targets in the Auditor-General's Report so that it is more clearly understandable from year to year? It is not always apparent from the government's budget papers from year to year what has happened to the last year's savings targets.

The CHAIR: Premier, do you wish to answer that?

The Hon. M.D. RANN: I refer that to Mr O'Neill.

The CHAIR: Mr O'Neill, it is a little wide of estimates, but are you able to make any comment?

Mr O'NEILL: Budget savings is an important component of the sustainability of the budget, and a significant matter of budget savings was the commencement of the shared services program. I made it an important part of our audit process to commence a working review of that very early and to report to parliament, as I previously commented on in last year's report. Other savings are also being identified, and it is part of our program in progress to review those savings and to report to parliament in an open and transparent manner and include commentary on those savings initiatives and their progress.

Mr GRIFFITHS: Can I add to the question with some particular focus in this area. In my short time in this place, I have observed budgets that have been presented that have identified a required 0.25 per cent efficiency dividend within departments, a direct dollar reduction in costs or savings within departments, a budget that is now presented that identifies \$750 million across future years and a budget three years ago that talked about shared services.

The Leader of the Opposition's question is very valid, in that you have talked about shared services in your answer, and I appreciate that, but it is these total issues around efficiency dividends and savings about which there needs to be some form of reporting back to the parliament and to the people of South Australia. It certainly impacts upon the financial positioning of our state and the review that Standard & Poor's and Moody's undertake when determining our credit rating.

Mr O'NEILL: I take your point, and that will be covered.

The CHAIR: I would like to point out that those questions have been quite generous. The place for asking such questions of the Auditor-General is through the Economic and Finance Committee.

Mr HAMILTON-SMITH: I refer to Budget Paper 4, Volume 3, page 14.12, in relation to WorkCover. Can Mr O'Neill explain to the committee what is the scope of the special audit of WorkCover in the Auditor's 2008-09 sequence?

Mr O'NEILL: You would be aware that WorkCover legislation was amended, in an administrative sense, commencing in 2008-09. Part of the legislative amendments resulted in the Auditor-General's being appointed as the statutory auditor of WorkCover. So, WorkCover comes under the ambit of the Auditor-General for the first time in 2008-09.

We have significantly progressed our first year's audit of WorkCover, and I believe we will be in a position to complete the audit of WorkCover no differently than we do with respect to other agencies. The expectation is that, with respect to WorkCover's financial statements and commentary about a range of its activities, including liability estimation, in early 2009-10 WorkCover is looking to implement a major information technology system replacement program in the order of about \$40 million.

So, the 2008-09 audit has done fairly intensive preliminary work with respect to current systems and, looking forward, to immediately reviewing the systems replacement program in 2009-10. We are reviewing aspects of the claims management function, which has an impact or implication for management of the liabilities of WorkCover. It is a first year audit, but it is very comprehensive. We have significantly progressed and will be in a position to report to the parliament, in a statutory responsibility sense, in our annual report to parliament.

Mr HAMILTON-SMITH: Can Mr O'Neill confirm, in case I missed it, when we will see that report? Will that be part of your annual report?

Mr O'NEILL: The annual report, in October.

Mr HAMILTON-SMITH: I refer to Budget Paper 4, Volume 3, page 14.5: Prescribed Audits. Does the Auditor-General have any concerns about any matters arising from the significant ICT reviews being undertaken by audit? I know this has been a matter of interest to the Auditor-General for many years, and there was a special report some years ago. Where are we heading with that?

The CHAIR: Leader of the Opposition, I think I need to explain to you again the purpose of estimates committees. The questions are to the Premier. If the opposition wishes to ask extensive questions of the Auditor-General, the place to do so is in the Economic and Finance Committee,

which can be arranged at any time. Premier, do you wish to make any comments or refer that question?

The Hon. M.D. RANN: I am happy to refer that question to Mr O'Neill.

Mr O'NEILL: You would be aware that there is significant investment of public moneys in information technology infrastructure in systems of government. The commentary with respect to information technology has been a little bit of a focus of mine under the previous Auditor-General, and I have a continuing focus—importantly so—because there is a significant amount of money invested in IT, and for good reason: one should be able to see efficiencies being delivered in both Public Service delivery areas as well as areas of financial management and control. So, it will always be a continuing focus, and I will be providing update comments with respect to some major systems in the current year's annual report to parliament. It was one of the reasons for including some enhanced commentary on the implementation of the TRUMP system of DTEI in the supplementary report which was recently tabled in parliament.

Mr HAMILTON-SMITH: I refer to Budget Paper 4, Volume 3, page 14.1: Highlights. Has the government received advice or information on the results of the evaluation of the audit methodology and associated software tools developed by the Victorian and Queensland audit offices, and how do they compare with South Australia, if you have received that advice? How long has the evaluation taken, and is it now complete?

The Hon. M.D. RANN: I know the leader has directed the question to me, but I will refer it to Mr O'Neill for clarification.

Mr O'NEILL: The matter of audit methodology replacement is a matter for the Auditor-General. The government is not involved in the evaluation or replacement of the audit methodology. The audit methodology and audit software that we utilise to undertake our audits is core to our audit practice and, during 2008-09, we undertook a pilot site evaluation of the Victorian and Queensland methodology. The Queensland and Victorian audit methodology has been developed by those two offices and it has the capability and features that would appear to work well in the public sector context. We completed a pilot site testing of that methodology in 2008-09 with respect to one of our audit clients, the Adelaide Convention Centre, and the outcome of that field audit pilot testing was good.

So, as one can see, in the estimates we are looking now to undertake a formal procurement process. We may look to get some understanding of some of the audit software that is operating in one or two of the major accounting firms, albeit that indications are that those firms will not license their products to us as a previous major accounting firm did. So we will be doing that, and we are looking to implement the preferred methodology commencing towards the end of 2009-10 and 2010-11.

Mr GRIFFITHS: I refer to Budget Paper 4, Volume 3, page 14.2: Investing Payments Summary. How will the replacement of audit methodology and software change the department's audit conduct and practice?

The Hon. M.D. RANN: That is a very good question, and I will ask Mr O'Neill to respond.

Mr O'NEILL: Essentially, I suppose like any tool or technique or, in this case, a software product, it has a life, and we have been working under this software methodology which was supplied by a major accounting firm since 2000. Essentially, what has happened is that we can utilise that product but, like every other type of software product, it can be used under licence. The major accounting firm indicated to us that the licence would expire initially around about 2006-07 and, although the product is still a very viable and effective product, against the background of knowledge that the major accounting firm would not extend the licence nor, indeed, support amendments to the product, that put us on the path of looking for a replacement product.

However, recognising that it is still an effective product and that, if possible one should constrain expenditure and save money, we sought extensions to the use of that product through an extension of the licence renewal. We were given an extension in 2008-09 and, more recently, an extension to 2009-10. So that fits well with us in several respects. First, it does constrain and save on expenditure outlays; secondly, it places us well in terms of our full evaluation of a replacement product; and, thirdly, in the last couple of years there have been greater requirements placed on the accounting and auditing profession with respect to audit practice requirements, which this current product does not embody. So the replacement methodology is being looked at in the context of the inclusion of these new audit requirements.

So, essentially, there have been three objectives attached to this audit replacement methodology. We needed to go along the path because we were not going to receive a licence renewal. It will be our wish that a replacement product does embody the new audit practice requirements. An end result has been that there has been a deferral of all capital expenditure associated with that process of deferring the replacement methodology.

Mr GRIFFITHS: I note in the budget papers that there was an allocation in the 2008-09 budget of \$180,000 for which no expenditure actually took place, and a much lesser figure of \$50,000 provisionally in the budget for this year. You have detailed the extension of the licensing agreement on the current software, so is it still intended to implement the new software in the 2009-10 financial year, and when will that be?

Mr O'NEILL: We will partially implement the new software across a number of auditing agencies in 2009-10, and that only requires about \$50,000 in capital expenditure. For instance, that outlay is basically directed to acquisition of the audit software. We may not fully implement the IT infrastructure against a background that we audit 150 agencies, which would take place in about the 2010-11 year. That calls on the additional \$130,000, which is in the forward estimates for 2010-11.

Mr GRIFFITHS: I refer to Budget Paper 4, Volume 3, page 14.1: Highlights. I note that there were two audit reports that were delayed in their presentation to the parliament—one for DTEI and the other, I think, for PIRSA. Premier, can you advise the circumstances that created the delay in the PIRSA report being presented to the parliament?

The Hon. M.D. RANN: I will ask Mr O'Neill to respond.

Mr O'NEILL: I would like to explain a couple of matters about timing of the Auditor-General's Report and how that is linked to the inclusion in those reports of agencies' financial statements, our commentary on those financial statements and the operation of those agencies. You would be aware that, under the Public Finance and Audit Act, agencies have a responsibility to submit to the Auditor-General annual financial statements. Submission time is generally about the second week in August, and my officers work pretty hard to review and verify those financial statements to be ready for inclusion in the annual report to parliament tabled in October.

There can be a number of factors involved in the timing and submission of the statements to the Auditor-General and their subsequent incorporation into the report to parliament, but there are probably two influencing factors. First, there is an expectation that the Auditor-General and his office will receive statements at about the right time (early August), and that they are quality statements. The second point is that that should result in audit verification and inclusion of those statements in the annual report to parliament.

That can be delayed if statements presented by the agency are not of a quality standard. In the case of PIRSA—and indeed DTEI, although your question was just in relation to PIRSA—statements were presented to the Auditor-General in time. However, there were issues associated with I would not say quality, but with one important and specific area of those statements—that is, the reconciliation of debt, or cash at bank, in simplistic terms. Now, I take the view that statements themselves need to be internally reconcilable; that is not a too significant ask. We were confronted with a situation where there were reconciliation problems with respect to those two statements.

The course of action there—and I think rightly so—is to relate to the agencies in a manner that provides them with an option: they could go forward and sign off on those statements, and I could include them in the audit report to parliament but subject them to immediate qualification; or (and I think this is the right course of action, and I think the public would expect this) the agency shows due diligence in working through those issues or problems to try to rectify them. Both PIRSA and DTEI took that option. In the case of PIRSA, it was able to resolve its reconciliation problems earlier than DTEI, to the extent that PIRSA's reconciliation problem was pretty much resolved after the October annual report and came into parliament as a supplementary report in November. You would be aware that the DTEI statement was presented to parliament as a supplementary report only just recently.

Essentially, with the issue of the timing, presentation and inclusion in my report there is a dual obligation. There is an obligation on my office to ensure that we audit efficiently, but that requires that statements come into our office within the statutory time frame and that they are quality in nature. If they come to our office in a timely fashion and are of a quality nature, but there are some other issues of importance or significance, I will take it up with the agency. It is then a matter for them—perhaps in consultation with their minister—as to the direction they set

themselves in terms of their obligation to complete their statements and to provide them to me for completion of an audit for inclusion in the report to parliament.

Mr GRIFFITHS: As an extension of that question then, did the cash at bank reconciliation problem only exist as at 30 June 2008 or was it a problem on a weekly basis as cash was reconciled—or daily or monthly—before that period?

Mr O'NEILL: You would be aware that the financial statements, principally the balance sheet, show a figure of cash at bank as at 30 June. That is one day in a year. However, for me to sign off on that I have to be satisfied that the controls exercised over the collection and banking of moneys have been adequate throughout the reporting period.

Now, this matter was linked to the implementation of the TRUMP system, which is a complex system, in September 2007. However, reconciliation processes were basically only commenced in about February, five months later. The longer you leave a reconciliation (particularly when you implement a new system) or the longer you delay a reconciliation, then problems can compound. They can not only compound but can create other problems—and there were some significant problems with the TRUMP implementation.

I think the important message here is that, with a significant system which not only benefits the public but also transacts money in the order of over a billion dollars, you must have immediacy of financial control structural processes at the time of implementation—not five, seven or 12 months later; it should be done and should be there immediately.

The CHAIR: The time has expired for examination of the proposed payment to the Auditor-General's Department. Thank you to the advisers.

The Hon. M.D. RANN: I thank Mr O'Neill and his team.

The CHAIR: We now move to matters relating to the Office of Ethical Standards and Professional Integrity, the Commissioner for Public Employment, and the Public Sector Performance Commission.

DEPARTMENT OF THE PREMIER AND CABINET, \$133,840,000

ADMINISTERED ITEMS FOR THE DEPARTMENT OF THE PREMIER AND CABINET, \$12,160,000

Membership:

Mr Venning substituted for Mr Hamilton-Smith.

Hon. G.M. Gunn substituted for Mr Pederick.

Witnesses:

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

Hon. J.W. Weatherill, Minister for Environment and Conservation, Minister for Early Childhood Development, Minister for Aboriginal Affairs and Reconciliation, Minister Assisting the Premier in Cabinet Business and Public Sector Management.

Departmental Advisers:

Mr W. McCann, Commissioner for Public Employment.

Mr L. Worrall, Chief Executive, Public Sector Performance Commission.

Mr B. Morris, Executive Director, Services Division, Department of the Premier and Cabinet.

Ms J. Ellis, Director, Office for Ethical Standards and Professional Integrity, Department of the Premier and Cabinet.

Mr L. Jones, Director, Corporate Affairs Branch, Department of the Premier and Cabinet.

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

Mr J. Loulas, Manager, Budgets, Corporate Affairs Branch, Department of the Premier and Cabinet.

Mr T. Ryan, Director, State Records, Department of the Premier and Cabinet.

The CHAIR: I declare the proposed payments re-opened for examination and refer members to the Portfolio Statement, Volume 1, Part 1. Premier, do you have an opening statement?

The Hon. M.D. RANN: The minister assisting has an opening statement.

The Hon. J.W. WEATHERILL: There is no doubt that the current economic circumstances present challenges for South Australia. However, the recent Economic Development Board report 'South Australia's prospects for growth' says that our state will recover from the present downturn faster than the rest of Australia. However, this will demand a very high performing public sector, delivering services with increased efficiency and rolling out infrastructure and new skills on an unprecedented scale.

The South Australian public sector employs over 90,000 people, making it the largest employer in the state. Like any private sector business, the public sector has to change with the times and needs to be continually improving how it does its business.

The government has been consistent in its regard for public sector workers. We regard the public sector as our greatest asset, one to be invested in, in order to maximise its value, not a burden to be minimised.

The government introduced the Public Sector Bill to Parliament, which will be back before the house soon. It created a Public Sector Performance Commission which is a small unit in government, which officially commenced operation in July 2008 with the appointment of the Public Sector Advisory Board.

The purpose of the Public Sector Performance Commission is to drive higher performance and effectiveness of the public sector by tackling key projects and helping agencies to improve their practices. This board is led by an outstanding joint private sector/public sector board, chaired by Professor Jennifer Westacott.

Highlights over the past year have included:

- undertaking a comprehensive survey of performance and organisational practice across the whole sector to be used to develop systems to lift performance;
- establishing five across-sector teams of talented executives to work on critical issues such as productivity, performance improvement, and leadership development;
- driven a 50 per cent increase in the membership of the South Australian executive service; and
- piloted a managed performance program designed to improve the ability of managers to get the best from their employees.

In the year ahead we will work on a number of important reforms such as:

- an across-government performance framework which will be used by agencies to measure performance and improve processes that require improvement;
- a comprehensive program for executive skills and leadership development;
- a full strategy for workplace planning and development; and
- developing stronger partnerships between the public, business sector and education providers in the community.

We have also expanded the office supporting the Commissioner for Public Employment, now known as the Office for Ethical Standards and Professional Integrity. Both the expansion and the change in name anticipate the new and higher status that the role will achieve as envisaged under the Public Sector Bill.

Amongst other activities the office conducted a Public Sector Week in 2008 to look at the behind-the-scenes working of the public sector; conducted the 2008 Premier's Award for

Excellence; commenced the development of a new code of ethics and conduct and new determinations and guidelines to support the new act.

We also saw a substantial increase in the size and strength of the cabinet office in 2008-09 which was very important given the massive reform agenda flowing from the new Rudd government. The State Records Office continues its work maintaining the proper storage of government records to ensure citizens get good access to those records.

I remind members that it is this government that is responsible for the far greater openness and access to information that the public and members of the parliament now enjoy. We must never underestimate the importance of a strong public sector to our state's future, and over the last 12 months we have strengthened it and will continue to do so in the months ahead.

Mr GRIFFITHS: If I may speak briefly, I would like to put on record the level of respect that I also hold for the Public Service of South Australia. As the minister has told us, it has in excess of 90,000 people, slightly over 83,000 full-time equivalents. As not only a consumer of the services they provide but a member of parliament for the last three years and a local government officer for 27 years before that, the level of respect that I have had in my dealings with the Public Service has not changed or wavered.

I know that, often, in challenging times, these people perform a very wide variety of tasks for the benefit of South Australia as a whole, and I do commend them for that. No doubt as financial pressures come to bear across governments around the world, the challenge will be for the Public Service to be able to do more with potentially fewer resources.

I was grateful for the invitation to the Premier's Award for Excellence for the Public Sector, and I was very pleased to attend. I thought that it was a great forum which provided an opportunity for those high achievers (and that is not to say that everyone is not a high achiever) who were nominated and identified and who are doing some wonderful work to receive that level of recognition. So, well done to those people.

The CHAIR: Are there any questions?

Mr GRIFFITHS: Just one clarification: is it necessary to include the omnibus questions again or will the fact that they have been read earlier suffice?

The CHAIR: The Premier has accepted them for all portfolios in his area of responsibility, so I am confident that they will be accepted.

Mr GRIFFITHS: Thank you, Madam Chair. I refer to Budget Paper 3, page 2.34, where it provides under table 2.16 the statistics for the total number of public servants. The figure is some 83,326, which I note is an increase of 1,485 above that estimated to be the result in the 2008-09 budget. Of that 1,485, how many of those people were employed in the core public service roles of nurses, teachers, doctors and police officers?

The Hon. J.W. WEATHERILL: Can you just take me again to which of the comparisons you are talking about? Is this from the previous year to this year?

Mr GRIFFITHS: Yes.

The Hon. J.W. WEATHERILL: Are you talking about full-time equivalents?

Mr GRIFFITHS: Yes.

The Hon. J.W. WEATHERILL: I will have to take that specific question on notice, but I can give you some indication because we have looked at this in a more general sense since 2002. The majority of the increase in numbers of employees since 2002 has occurred in the major portfolio areas of health and community services, 70 per cent; education and TAFE, 10 per cent; justice and emergency services, 7 per cent. In that context, since 2002, the number of medical officers increased by 871 and the number of nurses by 3,387.

The number of persons employed under the Education Act, which would include teachers, has increased by 456 persons. The areas of justice and emergency services includes legal officers, correctional services officers, employees under the Police Act and those employed to provide emergency service functions, but since 2002 the number of employees under the Police Act has increased by 487. I will, though, address the specific question of the change last year as compared to this year.

Mr GRIFFITHS: So, your last comment was that you would provide that information from last year to this year?

The Hon. J.W. WEATHERILL: Yes. I am just trying to give you a bit of the order of magnitude of what has been happening over the last few years.

Mr GRIFFITHS: Yes; and I appreciated the data from 2002 also. I refer to Budget Paper 4, Volume 1, page 1.40, sub-program 12.2: Public Sector Workforce. The performance commentary refers in the fourth dot point to the management of the placement of excess employees. Minister, can you provide me with the details of how excess employees across the public sector are managed?

The Hon. J.W. WEATHERILL: I will ask Mr McCann to address that question.

Mr McCANN: The latest data that we have available for excess employees is quite recent—13 March 2009. At that time, 419 employees were declared excess. Of those 419, 194 were in funded positions, 17 were in part-funded positions and 208 in unfunded positions. So, the real measure of the number of excess employees at that time, rather than 419, is really the 208 who were not in funded positions.

The total employment costs for excess employees in unfunded positions was approximately \$15.9 million, and the number of employees who have been excess for less than one year is 160, greater than one year is 121 and greater than two years is 138. I think when you consider that number (whether it is 419 or 200) it is useful to consider it in the context of the number of people who leave the public sector each year. That has increased slightly over the last three years from 10,000 in 2005, 12,000 in 2006 and just over 12,000 in 2007. During the course of the year, 12,000 vacancies arise through natural attrition. We have 419 surplus employees, so, it needs to be understood in that context if one wants to understand the significance of that number.

We have also recently reviewed our policy for managing excess employees. A submission is about to be put to the government that will give us a better capacity, we believe, through a number of reforms, to manage that small group of surplus people.

Mr GRIFFITHS: I have a supplementary question. I must admit that I was not aware of the high turnover rate; that came as a surprise. It reflects the increasing trend of people to move in and out of different roles, and it will be the case even more so as future generations join the workforce. As part of the management of excess numbers, can you provide me with the details of what efforts are being made to ensure that, where an opportunity arises from a position that needs to be filled within the public sector, a person within the excess group, be it the 419 or the 200, can take on one of those roles?

Mr McCANN: As a point of clarification, 12,000 is the entire public sector, so it is not just in the Public Service. It is the 97,000 group. There are two methods for dealing with that. By and large, responsibility for dealing with excess employees resides with individual departments. It is the responsibility of HR directors, usually, within their own departments to make efforts to place people in vacant positions. HR directors work together across the system. They have informal networks that enable them to trade information on vacancies and surplus employees. There is also, in the Department of the Premier and Cabinet, the Placement Services Unit, which provides some central services for a small number of departments. It has clients on its books when vacancies arise in the *Government Gazette*, then that unit will consider the surplus employees against those vacancies.

We do not think that the system has worked all that satisfactorily, and I think we can do better. As I indicated, we are bringing a number of reforms to the government for approval. If they are approved it will more formalise the process of matching surplus employees with vacancies as they arise. For example, departments, at present, can reject someone if they do not think they are suitable. We are going to strengthen that, so that departments will not have the same right to say no. If we take the decision that a surplus employee is suitable for a particular job, we will say so, and that will be binding on departments. That will deal with quite a significant part of what I think is an unreasonable delay at the present in getting them properly placed.

Mr GRIFFITHS: The information available to me indicates that in 2007 at 30 June there were some 266, or thereabouts, excess employees. In the following year that increased to 387, and, now, as you have confirmed, it is 419. Has the desire to ensure that a revised program is in place come about because of the increase in the number of people?

The Hon. J.W. WEATHERILL: It is a more of a policy question rather than a question about the management of the act. We are always looking for ways in which we can improve, from the point of view the employees, the process of managing the surplus employee experience. It is obviously not desirable for an employee not to have a settled role—that is an important factor—and, of course, there is that productivity issue. If they can be effectively either found another job or,

with some measure of retraining or assistance, placed appropriately into another job, it is desirable that we do that.

The other point that also occurs to us, which is concomitant to having a no forced redundancy policy, is that you need to have an effective way of managing the mobility of employees when changes in the government's needs arise. We have said that very clearly to our workforce. We have said that there is an important trade-off between the tenure or no forced redundancy policy, which remains the policy of the Labor government, and that we need to have two things. One is a good system of managing excess employees, which includes the ability to have mobility across various agencies as well as finding opportunities for placing people with agencies.

Most of the difficulties that arise in relation to excess employees are in terms of those employees who need to find placements outside their main agency. We observed that some employees get a reputation if they are made excess for being not necessarily desirable employees, because, otherwise, they might have found a home in their own agency.

We want to make sure that that stigma does not attach to employees. It is important from their perspective, and it also is an important factor in terms of their placement. So, there are some policy issues that we identified. I suppose the reality is that the need to allocate resources more efficiently has only become more evident with the difficult economic times that we face. So, the impetus for that policy change has also been an understanding that adjustments where government agencies might do less in some areas and more in others need to be managed, and that will mean a more effective and, I suppose, efficient ability to deal with the question of excess employees.

Mr GRIFFITHS: Given that Mr McCann has detailed that the total cost of the excess employees is around \$30 million at the moment, can you clarify for me if the cost for the individual person, be they either funded, unfunded or partially funded positions, is actually borne by individual departments, or are there some central funds that are responsible for that?

The Hon. J.W. WEATHERILL: I think the actual figure given was \$15.9 million; they are the ones in the unfunded positions. So, that is the actual cost of excess employees.

Mr GRIFFITHS: I did refer to funded and unfunded.

The Hon. J.W. WEATHERILL: Sure, but in a sense a funded employee is indistinguishable from somebody that the agency would otherwise engage. So, there is no net cost to the budget associated with an excess employee in a funded position. It is really only the balance of that which is unfunded.

Mr GRIFFITHS: From that answer can I glean therefore that the \$15 million is from individual departments?

Mr McCANN: That is correct; individual departments meet the costs of their surplus employees, until they are placed in funded positions elsewhere.

Mr GRIFFITHS: Continuing on this theme, but relating to a question of the targeted voluntary separation packages announced by the Treasurer as part of the Mid-Year Budget Review of 1,600, of which some 1,200 have to be identified by the end of September, I believe, and because Mr McCann has referred to a good number being in excess of two years—identified within the excess group—will these excess employees be the target of all or part of these targeted VSPs?

The Hon. J.W. WEATHERILL: This is really the Treasurer's policy, so it is a matter more properly directed to him. To assist you, the first thing that would have to occur is that they would have to be declared excess. There would first be a process of seeking to place them in an alternative position within the agency before they would come within the province of a group of employees who might be offered a TVSP. The savings target might be sought to be met in a range of ways which may not necessarily have that effect. First, there would be an opportunity to see whether somebody could be placed in a position where there was a vacancy, so as to avoid the need for that change.

Mr GRIFFITHS: Minister, I appreciate that. Your first few words were that they would need to be identified as excess. I suppose I am referring to the excess group; will they be a primary focus for targeted voluntary separation packages? I am a bit unsure, from your answer, if that was answered appropriately.

The Hon. J.W. WEATHERILL: Yes, the targeted voluntary separation package would be available for those employees.

Mr KENYON: I refer to Budget Paper 4, Volume 1, page 1.34. Will the minister inform the committee of the work to be done by the Public Sector Performance Commission to address challenges faced by the public sector?

The Hon. J.W. WEATHERILL: I thank the member for Newland for his question. I know he pays a lot of attention to matters of public sector reform, and I thank him for his interest. The Public Sector Performance Commission has been working on a number of key projects in the following areas: spreading good practice in the public sector, the further development of the South Australian Executive Service as an effective leadership cohort, and also a plan to develop our future public sector workforce.

In late 2008, as I mentioned before, there was this organisational performance survey, and out of that survey we will be developing a higher performance framework to provide agencies with tools to measure performance and address areas requiring improvement. One of the other legacies that arose from the Wayne Goss-led Government Reform Commission was the South Australian Executive Service. The idea there is to provide a mobile and flexible leadership cohort with high competencies that can be used across the whole of the public sector.

We have been doing a lot of work with the South Australian Executive Service through targeted leadership development, building strong links to the tertiary and professional education sector and developing institutional arrangements and supports to ensure that there is a pipeline of leaders, from induction through to development, as well as having proper succession arrangements for the leaders of the future in our Public Service.

We also know that we cannot simply assume that the people with the right skills are going to be available to our Public Service when we need them in the future. Given our scenario for job growth over the next decade, we have done a lot of careful work in relation to workforce planning to make sure that we do have the sort of workforce that we are going to need over the next decade.

Mr KENYON: If I might venture into freedom of information. I refer to Budget Paper 4, Volume 1, Portfolio Statement, page 1.37. How do state records support the state's freedom of information regimes?

The Hon. J.W. WEATHERILL: The government is proud of its reforms to the FOI legislation in 2005. The reforms drew largely on the key findings of the 1996 Australian Law Reform Commission's report on open government. You might hear a bit about reforms occurring in both the commonwealth and Queensland governments, but they are only now considering what this government has had in place for some time.

The reform of the FOI strengthened the objects of the act to emphasise the legally enforceable right to access government information by members of the public and also to clarify that members of parliament had that right. The government increased the fee-free threshold for MPs from \$350 to \$1,000—the only state that provides that privilege. It abolished ministerial and agency conclusive certificates. It provided stronger powers to the Ombudsman and ensured that government agencies could only appeal a determination on a point of law. It provided greater protection to personal information and ensured greater access to contracts.

We knew that the legislation was only part of changing the culture. I must say that we inherited an appalling culture in relation to FOI. It was a race against time between the shredder and putting in an FOI application under the previous Liberal government. We managed to turn that around with a whole range of administrative improvements, including better reporting by agencies and improved support and guidance for FOIs since the introduction of the Citizen's Right to Information Charter, which sits proudly on the desk of every government agency and bears the signature of the Premier and the former minister for FOI.

The Hon. M.D. RANN: I had to appear in court. I was represented by Mr Hammond QC in a case to get those order documents, but, fortunately, someone gave them to me in another way.

The Hon. J.W. WEATHERILL: The informal FOI regime of the former Liberal government was the brown paper bag—

Mr KENYON: A suitcase.

The Hon. J.W. WEATHERILL: Yes. In addition, we introduced the government's contract disclosure policy, which sees most of the larger government contracts published on the tenders and contracts website, removing the need to apply for access to this information.

We also collect statistics to demonstrate what is happening. In the 2008-09 financial year agencies reported that full or partial access was given to 91 per cent of all FOI requests. The rate

of release of information has not dropped over the past nine years despite the fact that there has been a dramatic increase in the number of applications, especially from MPs. The number of applications from MPs has grown twentyfold from 52 in 2001-02 to over 1,100 this year. They are often very broad and result in a number of documents being assessed.

The Hon. G.M. Gunn interjecting:

The Hon. J.W. WEATHERILL: No, you get what you ask for. We are always very happy to help the member for Stuart. It is interesting that over that time 91 per cent of the full or partial access has remained, even with the dramatic increase coming from MPs. Members of the opposition would find it difficult to argue that this government operates in a culture of secrecy, given the way in which we push out information to them at their request.

The Hon. G.M. GUNN: I want to ask the minister whether members of the public sector who wish to stand for public office or support people who are standing for public office will face any difficulties in their future employment. In my constituency, I have a person who probably would have stood for public office but it was made fairly clear to him by other members of the Public Service that there could be some disadvantage to him in the future. I was fairly annoyed about this, and I thought the best way in which to clear up the matter was to ask a question during this process. If people in a democracy want to exercise a right in their own time to assist someone else, will they have penalties imposed upon them?

The Hon. J.W. WEATHERILL: I think I can speak clearly on behalf of the government, in particular the Premier. He would insist that no-one suffered any detriment if they were engaging in a proper democratic activity. No-one should be fearful of participating in their democracy or fear any recriminations if they are a public servant or a former public servant. The legislation enshrines certain elements of that. Certainly, if you are a public servant and you wish to stand for office, there is a capacity for you to take leave and return as of right to your position. More generally, no-one should fear any detriment for participating in a lawful democratic activity.

Mr GRIFFITHS: I refer to Budget Paper 4, Volume 1, page 1.40. Minister, will you confirm how many workers compensation claims were lodged by the public sector workforce in 2008-09?

The Hon. J.W. WEATHERILL: That falls within the responsibility of the Minister for Industrial Relations (Hon. Paul Caica). He is responsible for workers compensation in the workforce division, if you like, of the public sector. I invite you to direct that question to him.

Mr GRIFFITHS: I am not trying to dispute the minister's answer, but in sub-program 12.2, Public Sector Workforce, the second dot point refers to occupational health, safety and injury management services. Therefore, one can understand my presumption.

The Hon. J.W. WEATHERILL: Certainly, but if you want to be assisted by the officers they will be here at that time. I will undertake to make sure the query is passed on if you are unable to be in that committee.

The Hon. M.D. RANN: Can I interrupt for one second. Apparently I may have misled the committee this morning, when I was answering questions from the Leader of the Opposition. I said, 'I have answered the questions before and I am happy to do so,' and I invited the Leader of the Opposition to bob up on the first day of question time on Thursday next week, and I said, 'if you are still Leader of the Opposition'. Of course, next Thursday I will not be present during question time: I will be in Darwin representing the interests of the state at COAG.

Mr GRIFFITHS: I shall ensure that the Leader of the Opposition is aware of that. It may be that this question also is not appropriate for the minister, because it refers to the same area. I note that one of the responsibilities is industrial relations services—and the minister is nodding his head. I note that an additional increase in funding has been provided for that. Is that increase based upon some form of perception that the government's proposal to limit future wage outcomes to 2.5 per cent will create an additional workload for this industrial relations section?

The Hon. J.W. WEATHERILL: I will have to refer that to minister Caica. I will make sure he is aware that that is a question the member wants to have answered.

Mr GRIFFITHS: I refer to Budget Paper 4, Volume 1, page 1.14. The minister referred, I think, in answer to a question from the member for Newland, to the Commissioner for Public Employment. Can he provide me with the details of the roles of the Office for the Commissioner for Public Employment and the Office for Ethical Standards and Professional Integrity?

The Hon. J.W. WEATHERILL: I am very happy to do so. The statutory functions of the Commissioner for Public Employment are defined in the Public Sector Management Act 1995 (that

is our current act). They include: to develop and issue directions and guidelines relating to personnel management matters in the Public Service; to provide advice on personnel management issues; and to monitor and review personnel management and industrial relations practices. The statutory functions of the Commissioner for Public Employment under the new bill will alter somewhat. They are not controversial, because they have been agreed to by both parties, so they will eventually become the law when that act passes.

The commissioner has the function of advancing the objects of the act and promoting observance of the public sector principles in so far as they relate to public sector employment, and for that purpose is to: issue the public sector code of conduct; issue public sector employment determinations; monitor and report to the minister on the observance of the public sector principles, code of conduct and employment determinations; issue guidelines relating to public sector employment matters; provide advice on public sector employment matters at the request of public sector agencies; provide advice on and conduct reviews of public sector employment or industrial relations matters as required by the Premier or the minister; and investigate or assist in the investigation of matters in connection with the conduct or discipline of public sector employees as required by the Premier or at the request of a public sector agency. That is the current role and the newly envisioned role.

The principal change is that the commissioner will no longer be involved in the day-to-day management responsibilities of chief executives, except for this point of termination that we need to work through. It will be the role of the commissioner to guide decision making through the adoption of strong principles and to lead chief executives to build themselves better systems and practices. The commissioner does this at a systemic level rather than the individual transactional level. It really is about this question of chief executives managing but also protecting employers against capricious action. It is a matter of getting that balance right.

The Office for Ethical Standards and Professional Integrity is working on a new code of conduct; a review of data collections; workforce planning; a review of commissioner's determinations and guidelines; succession planning; repositioning HR functions; women in executive leadership target; supporting other State Strategic Plan targets in relation to service delivery, diversity and employment; and creating a cohesive public sector with a seamless set of conditions.

So, I suppose the Office for Ethical Standards and Professional Integrity is in some senses anticipating this broader supervisory role that is contemplated by the new act. It really reflects this higher lifting, if you like, the gaze of the commissioner's office, away from individual transactions up to a merit protection and ethical standards focus in what we think is a really important and exciting new role. We are very grateful that the former head of the Department of the Premier and Cabinet, Warren McCann, has stepped into that role, because we regard it as a very important role for the government.

Mr GRIFFITHS: As an extension of some of the comments in the minister's answer, I note that workforce planning is a key area, and it is important that we have the absolute best people we can get in the public sector. In the succession planning efforts, are there any particular year periods (if we disregard the number of people who choose to leave voluntarily) with respect to those who choose to leave through retirement for which there needs to be specific planning? Is the next five years reasonably covered and is it the five years after that, when an increasing number of baby boomers will be retiring, when the greatest pressure will be on the public sector?

The Hon. J.W. WEATHERILL: This is an important question. We are doing a lot of work to understand what we are heading towards and, obviously, we are facing that baby boomer demographic blip which affects most organisations. So, we have the ageing workforce, which is a particular issue. In addition, there is also what we expect will be the economic conditions, where there will be a very competitive market for labour. Notwithstanding the current economic conditions, we are still forecasting a competitive market for labour, which will also place pressure on the situation.

One of the imponderables is the extent to which people choose to stay longer in employment. Some people may choose to alter their retirement plans when we might otherwise have anticipated their leaving. We are thinking about ways of doing that. We have already amended the superannuation arrangements to allow for people to step down, in a sense. So, rather than having to fall off the edge of a cliff and decide to retire or stay, someone might step down and move to perhaps a lower classification, fewer hours or some training role. We are exploring all those options to see whether we can retain people. Of course, also, I am particularly interested in this idea of people not losing that corporate knowledge that is very valuable and which potentially

can fly out the door very quickly if you are not careful. So, those are things that are exercising us at the moment and a lot of the work of the Public Sector Performance Commission is focusing very strongly on those issues.

Mr GRIFFITHS: Certainly I can understand that those members of the public sector workforce who have superannuation that was a defined benefit prior to 1993 may still choose to leave because the downturn does not affect them as much. Certainly, the opposition supported the changes to the superannuation to allow that transition to retirement to occur to give some flexibility and prevent the loss of corporate knowledge, so that is a good step forward.

In regard to the relatively high turnover rate of 10,000 to 12,000, as Mr McCann alluded to previously, of the people who are leaving, is it spread across the age profile, or is it focused at the lower end (the younger people) or the upper end?

The Hon. J.W. WEATHERILL: We do know a little bit about the sorts of mobility. It is forecast that during the next five years most of the sizeable retirement is expected, and that is an age-related concept. There is a particular churn amongst some of the younger employees who are, I suppose, sorting out career and making choices about that. So we do have information, and that is the information that we are looking at carefully. We are trying to understand why people leave, also, so we can address those questions of attraction. We are trying to make the Public Service an attractive employer for young people. I think, traditionally, they can be regarded as quite choosy employees, especially given that, at least until recently, there had been very strong labour markets for people with particular skills. Those are the things we are considering in trying to grapple with this question.

Mr GRIFFITHS: I refer to Budget Paper 4, Volume 1, page 1.40. My advice is that the government has not published any public sector workforce data since June 2007. Is this correct and, if so, is a document intended to be published this year?

The Hon. J.W. WEATHERILL: I invite Mr McCann to answer that question.

Mr McCANN: It is correct. There is limited workforce data for June 2008 available now which we managed to produce for this estimates hearing process, and we dealt with some of those numbers already in earlier questions. The remainder of the workforce information collection will be published by the end of July. So, between now and the end of July it will be progressively published, and the full report will be published by the end of July.

I do not think that is a very satisfactory situation because that is too big a lag—it does not help parliament and it does not help everyone who has an interest in public sector workforce issues—so my office is looking at measures that we can adopt to achieve the objective of publishing the June data by the end of the calendar year. So, rather than have 12 months' lag, which is far too long, our aim (and whether we can make it for the next round or the round after we are still working through) is to have the full range of data published by the end of the year for that previous financial year.

Mr KENYON: I have a question about the State Strategic Plan targets. I refer to Portfolio Statement, Budget Paper 4, Volume 1, page 1.15. How is the government recognising excellence in innovation in the achievement of the South Australian Strategic Plan targets?

The Hon. J.W. WEATHERILL: The Premier's awards that I referred to earlier are a very important way in which we showcase excellence in the public sector, and this happens during Public Sector Week. It arose, as I mentioned before, out of the recommendations of the former Queensland premier Wayne Goss and the Government Reform Commission. The objectives of that Premier's award scheme are to recognise and reward outstanding contributions made by public sector agencies to the South Australian Strategic Plan targets, to encourage innovation and excellence and, really, acknowledge those people who have met those objectives and gone beyond what would ordinarily be expected.

There are six award categories that are aligned to the six objectives of the South Australian Strategic Plan. As the member for Goyder acknowledged, these are very impressive ceremonies, and the award winners last year reflected the quality of the contributions that we have seen. To show the nature of these things, in 2008 the award winners were:

- Growing Prosperity—South Australia Works for Aboriginal people (which was developed by DFEEST).
- Improving Wellbeing—The Relative Needs Index—Computer Assisted Triaging of Dental Emergencies (developed by the South Australian Dental Service).

- Attaining Sustainability—Travelsmart Households in the West (developed by the Department of Transport, Energy and Infrastructure, and that is about connecting up households with information to assist them with public transport).
- Fostering Creativity and Innovation—Adelaide Thinkers in Residence (which has driven a range of incredibly interesting and provocative thinkers who have caused policy change in South Australia).
- Building communities—Playford North Urban Renewal Master Plan Process (which is about, of course, redeveloping some suburbs that have certainly needed regeneration in the Peachey Belt, but also an accompanying private sector development next door).
- Expanding Opportunity—Common Ground (which was also another initiative that flowed from an Adelaide Thinkers in Residence program). The awards are increasing in prestige, and public servants really do value the Premier coming to personally acknowledge their work.

In June 2009 the awards scheme opens, and there will be a ceremony later in the year during Public Sector Week. I am sure we will get a similar group of excellent entries that really are about elevating the State Strategic Plan in the mind of public servants. It is important that that plan is continually emphasised, and if public servants see us paying attention to it and acknowledging their efforts to achieve its targets, then it will remain alive for them and cause them to make the policy changes and efforts that we are looking for.

The Hon. M.D. RANN: I would like to second that, in the sense that not only do I think the awards are incredibly useful in terms of the Public Service and I am very proud to be involved, but I also think it is really important for others to have an opportunity to see the outstanding performances in our public sector, whether it be people working in the ICANs or on improving school retention for kids at high risk of dropping out, whether it is Common Ground or Thinkers in Residence or people working in Aboriginal affairs. I think the awards are greatly appreciated and are terrific for morale. They should remind all of us of the excellence, dedication and commitment of public servants in this state.

The Hon. G.M. GUNN: This might be the last chance I get to ask the Premier a question in budget estimates, having been involved since 1979. Looking behind the Premier, and looking at all these budget documents, has the government or the Premier given any consideration to improving this process to make it a bit more, shall we say, 'real world'? It appears to me that there are huge numbers of public servants tied up working out what sort of questions the opposition might ask. Having sat through many estimates committees, in a modern parliamentary democracy there must be a better way of handling the situation—and, whoever is doing it, I will not be thinking of you next year.

The Hon. M.D. RANN: The honourable member might not be thinking of us next year, but we will be thinking of him. Presumably he will be travelling somewhere while we are here sniffing in the cold. I would like to make two points. First, I agree with the honourable member—and I have agreed with him on many things over the years. I believe that the estimates process—which began, I think, in David Tonkin's time—was started with the very best intentions, but it does not serve the parliament, the people, or either side (government or opposition) particularly well. The omnibus questions that we have had today, for example, will chew up thousands of hours of work—and just for the sake of it.

We go through this process that is like watching grass grow. If anyone were to televise the estimates committees or put them on the net, it is hard to imagine that people in the Papua New Guinea highlands, New York or anywhere else would tune in. So I agree with the honourable member; I do not think the system works very well. It may be worth—perhaps after an election, whoever wins—in a bipartisan way, working out how we could do this better. I totally agree with the honourable member: when we were in opposition I did not think it worked and I do not think it works now that we are in government.

I would like to make another point, because I think this is probably the last question the honourable member will ask me during his 39 year career as a member of parliament—which is extraordinary. Too often in public life we underestimate our own skills or commitment, and I think there is a massive amount of good work done in this parliament and in our constituencies by people on both sides of politics. I have known the honourable member since I started working in this building in 1977. He had been a member of parliament since 1970. I have always found him to be a person of his word to the nth degree; he has never, ever let me down, and he is someone

whom I regard as a friend as well as a colleague. He has served his constituency extraordinarily well over decades; there would not be a harder working local member.

So I think I can say on behalf of all members of parliament that we will miss you, Graham. As a special treat I am thinking about putting on a big dinner for you—39 years service—but I also guarantee you an autographed copy of next year's estimates *Hansard*. You might want something to read while you are relaxing on a beach somewhere; I can guarantee it will put you to sleep.

The CHAIR: Time having expired for the examination of the proposed payments, the payments are adjourned and transferred to Estimates Committee B. Thank you ministers, and thank you advisers.

The Hon. M.D. RANN: Thank you for your wonderful guidance today, Madam Chair; tough but fair.

DEPARTMENT OF TREASURY AND FINANCE, \$95,703,000
ADMINISTERED ITEMS FOR THE DEPARTMENT OF TREASURY AND FINANCE,
\$1,611,729,000

Membership:

Mr Hamilton-Smith substituted for Mr Venning.

Witness:

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

Departmental Advisers:

Mr B. Rowse, Deputy Under Treasurer, Department of Treasury and Finance.

Mr G. Goddard, Deputy Under Treasurer, State Procurement and Support Operations, Department of Treasury and Finance.

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

Mr D. Reynolds, General Manager, Finance, Department of Treasury and Finance.

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

Mr R. Schwarz, Assistant Under Treasurer, Revenue and Economics, Department of Treasury and Finance.

Mr P. Williams, Director, Financial Services, Department of Treasury and Finance.

The CHAIR: 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. The timetable I have is Treasurer, 3.45 to 6.30, Department of Treasury and Finance; from 7.30 to 8.15, Super SA, SAFA and SAAMC; 8.15 to 8.45, Motor Sport Board and Funds SA; 8.45 to 9.30 MAC. Treasurer, is that your understanding of the timetable?

The Hon. K.O. FOLEY: That sounds about right, Madam Chair.

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

Mr HAMILTON-SMITH: Yes.

The CHAIR: Thank you. 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 17 July 2009. This year the *Hansard* supplement which contains all estimates committee responses will be published on 2 October 2009.

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 who are 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 that, for the purposes of the committee, television coverage will be allowed to film from both the northern and southern galleries.

I now proceed to open portfolio Treasury and Finance. I declare the proposed payments open for examination and refer members to the Portfolio Statement, Volume 1, Part 3. Treasurer, could you introduce your advisers, please?

The Hon. K.O. FOLEY: First, can I say that the Under Treasurer, Jim Wright, is an apology as he is sick. It is nothing serious, I am advised. May I say, Madam Chair, with absolute confidence among all my Treasury people (too many to go through by name) there is not a Godwin Grech amongst them. They are all very loyal, trustworthy and outstanding servers of the government of the day. I am happy to waive an opening statement and get straight into questions.

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

Mr HAMILTON-SMITH: No; I will go straight to questions.

The CHAIR: Very well, please proceed.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, page 1.7 and Budget Paper 2, page 2. On page 2 of Budget Paper 2 it states that the economic crisis is having a devastating impact on the state's revenue, and that is clear and that has been the context of your budget. However, the facts spelt out on page 1.7 of Budget Paper 3 show that revenue increased by over a billion dollars in 2009-10. So, the amount of money available to you has increased by a billion dollars. As you look at the break-up of those revenue sources, in many categories it has gone up. Is there not an essential contradiction here: on the one hand the government is saying it has no revenue but the facts of the budget are that revenue has gone up by a billion dollars?

The Hon. K.O. FOLEY: I have been frustrated in my inability to explain to the leader or the shadow treasurer how public accounts work but I will go through the exercise again. I know it has been a tough six or seven weeks for the leader and I know his mind has been preoccupied but, at some point, I think it would be useful (as a shadow treasurer) to be briefed by my officers on how public accounts are structured.

We have lost \$2.9 billion, from memory, of GST revenue over five years, and I think a further \$800 million roughly of own state-sourced revenue. What you have in the 2009-10 revenue line, of course, is not just taxation revenue but you have grants, and you have a whole series of incomes that are related to the commonwealth government's stimulus package which, as I have already said, is effectively in and out.

It is money that is coming in. It comes in as income. When the commonwealth government gives us money for our primary school program or its primary school program, it comes in as income, and it goes out as a capital expense. That's the difference. So, Auslink money, for example, comes in as income but it goes out as a capital expense. So, there is not a billion dollars extra: in fact, there is a substantial reduction in discretionary revenue to the state from which we can meet our obligations.

Mr HAMILTON-SMITH: If I understand you correctly, Treasurer, if you would just put it on the record, referring to Budget Paper 3, page 1.7, you are confirming that the federal infrastructure grants are accounted by the government as general government revenue in the net operating surplus/deficit calculation but when the grants are spent, they are not included in the calculation as net operating surplus/deficit but are tallied in acquisition of non-financial assets; is that right?

The Hon. K.O. FOLEY: There will be some that will have come in as revenue and will be accounted for in operating but the vast bulk of it will be in capital and that is demonstrated. If you look at the 2009-10 budget, if you have a look at the operating deficit net operating balance, which is minus \$304 million, then you have a look at the net lending and borrowing, which is 1.54. In very round numbers, that may be a billion in of that education money as capital, which allows us to have a better than actual operating balance, but it goes out in capital and it is reflected in the net lending line at the bottom of the papers.

As I have said, I am happy to have you walk through how these things are constructed. I have offered it in previous years and I just think it would save both embarrassment for yourself and time of a committee if we both understood how public accounts are presented.

Mr HAMILTON-SMITH: Just moving on to Budget Paper 3, pages 2.4 and 2.5, in relation to the Sustainable Budget Commission. You say on page 2.5 that if future wage outcomes are limited to 2.5 per cent, the saving in 2012-13 will be around \$290 million. What do your figures show you will be the outcome if the wage outcome is 3.5 per cent which looks to be the historical average?

The Hon. K.O. FOLEY: I am not going to give you that number because that would be tipping my hand to public sector unions as to the extent of our provisioning for public sector wage outcomes but because, if we are able to keep the wage outcome to 2.5 per cent in the public sector across all industrial EBs, it presents a saving of \$290 million, it would be reasonable then to conclude that the provisioning is greater than that but I will not (as I never do) foreshadow what my provision is otherwise I would be telling the unions what they can bargain up to.

A lot of people have said that this budget commission process really pushes the pain out beyond the next election, but that's not true. Half of the savings, which could be achieved through getting a 2.5 per cent outcome with the public sector unions or less, will actually contribute half of the savings exercise and that will be locked away before the election. In fact, providing we get a good outcome with the public sector unions, and I am confident that we will, we will have met half of our savings target leading into the election.

I just reiterate that what that means is that public sector unions have a simple choice. I don't think it's a difficult choice if I were them, but I appreciate that they are not going to foreshadow their position on this. If we can get a modest but real wage outcome but within the 2.5 per cent limit, they get a real growth in their wages and they will protect more jobs than they otherwise would have if they hold out for a larger increase. If they get a larger increase, if it is 3, 3.5 or 4, so be it. There will then be the budgetary consequences in terms of us having to achieve greater savings which will clearly, in reasonable part, have to come through a reduction of jobs in future years.

Mr HAMILTON-SMITH: In the guidance given to the commission when it goes about its work, can you just confirm whether you will be ruling out any measures? For example, will you rule out tax increases?

The Hon. K.O. FOLEY: No, this is post the election and who knows, you might be in the position, and I would encourage you to use this vehicle that I have established should you win and be Treasurer. What I have said is that I don't believe tax increases are the answer to the problem. I don't believe they are and I think the level of taxation in this state is such that, before anyone looks at taxes, we have a very serious savings task to undertake on the operating side, on programs we run, on further efficiencies that we can get from the public sector, modest wage outcomes—they are all the priorities.

The key for South Australia's sustainable budget in the future is to rein in and control spending. That has been a battle for eight years under this government; it has been a battle for every government that has been in this place, because demand for services far outstrips our capacity to provide them.

The CHAIR: Are there any questions on my right?

The Hon. K.O. FOLEY: I am happy to forgo questions and allow the leader to have all the questions.

Mr HAMILTON-SMITH: I gather from your answer that, although you feel tax increases are not the way to go, that will not be ruled out. So you are looking at the savings side of the ledger.

The Hon. K.O. FOLEY: Do you rule out tax increases in your pre-election announcement?

Mr HAMILTON-SMITH: Well, I am asking you because you're the Treasurer.

The Hon. K.O. FOLEY: No, no, but I'm asking you.

Mr HAMILTON-SMITH: Well, I'm here to ask you questions because you're the Treasurer and we are the estimates committee.

The Hon. K.O. FOLEY: But you quite often answer my interjections. It gets you into a lot of trouble, I know. I really am sorry about that, too. I shouldn't have interjected that other day; I didn't realise you would come in so easily.

Mr HAMILTON-SMITH: Is that right?

The Hon. K.O. FOLEY: Caused you so much strife. Sorry.

Mr HAMILTON-SMITH: Is that right?

The Hon. K.O. FOLEY: I wish I'd behaved.

Mr HAMILTON-SMITH: I have often thought you could be more polite.

The Hon. K.O. FOLEY: Yes, I apologise. I shouldn't have interjected that day.

Mr HAMILTON-SMITH: Actually, I watched your behaviour when you were in opposition quite carefully and noted—

The Hon. K.O. FOLEY: It just got you into strife. I don't think I ever got into the strife you've got yourself into, though.

Mr HAMILTON-SMITH: —how much the standards have been dragged down—

The Hon. K.O. FOLEY: Exactly! Have a look at it.

Mr HAMILTON-SMITH: —by you.

The Hon. K.O. FOLEY: He's done it again! 'How much the standards have been dragged down'. I've never told—

Mr HAMILTON-SMITH: So you're not ruling out tax increases but you'd rather look at savings measures.

The Hon. K.O. FOLEY: As I said, Martin, you can twist words as much as you like. I think the community is up for a very mature debate. Tax increases are not the answer, but I am not going into a third term of government trying to suggest that governments will never look at the issue of revenue and cost recovery and other measures that may be in the mix. The strong answer that I have given repeatedly is that tax increases would be an easy option, a foolish option, and a reckless option. You should be looking at saving all you can through efficiency savings. That is what I am going after. I have not raised a tax since the first budget, from memory. I may be wrong. We raised the pokies taxes and some stamp duties in the first budget, and that may have also happened with the second budget, but since then I have limited that to being a Treasurer who cuts taxes.

Mr HAMILTON-SMITH: Well, that is surprising when you look at the fact that land tax has gone up by 293 per cent.

The Hon. K.O. FOLEY: That is through value increase, Martin, not through rates.

Mr HAMILTON-SMITH: Well, you said you have to increase—

The Hon. K.O. FOLEY: No, not the rates.

Mr HAMILTON-SMITH: There is a range of ways to increase taxes, and the facts speak for themselves on the increases. Just getting back to a yes or no answer, you are not ruling out tax increases—

The Hon. K.O. FOLEY: I've given you my answer, Martin.

Mr HAMILTON-SMITH: Yes, which is no answer.

The CHAIR: Order! Leader of the Opposition, I made it clear this morning that you will not be allowed to put words into other people's mouths. I will speak over you to protect you from that, otherwise you will end up having to apologise. Please ask questions and—

Mr HAMILTON-SMITH: Madam Chair, can you just leave the Treasurer and I—I'll ask questions and he can answer.

The CHAIR: Order! The Leader of the Opposition will not speak over the chair!

The Hon. K.O. FOLEY: Martin, she's trying to save you from yourself. She is doing you a favour. Don't you realise that you get yourself into trouble? The chair is trying to protect you, not me. Be thankful that you have a considerate chair.

The CHAIR: The Leader of the Opposition will also find that, if questions are asked through the chair, manners are more inclined to prevail. The Leader of the Opposition.

Mr HAMILTON-SMITH: Right. Let's go to savings measures then. Is it the government's intention to look at further cuts to the Public Service as part of the commission's work? Exactly what savings measures does the Treasurer foresee—

The Hon. K.O. FOLEY: Are you serious with that question or have you just made it up? Haven't you prepared any questions? That is just what I have been saying the whole time about the budget commission. It is about savings in the public sector. It will be about job losses and reduced workforce numbers if we cannot get the offsetting pay reductions. I have said that we are looking at programs—

Mr HAMILTON-SMITH: How many additional Public Service positions have you targeted, then?

The Hon. K.O. FOLEY: I do not know, because we do not know what our wage outcomes will be. As I said, if we can get 2.5 per cent wage outcomes, a number of those agreements will be up before this commission starts work. We could break the back of those savings simply through good, modest wage outcomes. Then, once we know what the final task is, that will be the task that the commission will be set in terms of identifying savings. I have said that ad nauseam since budget day. I am really surprised that you are still asking such basic questions.

Mr HAMILTON-SMITH: The reality is that you know exactly what cuts can and should be made, but you want to leave it to a commission to make those decisions after the election, otherwise you will be—

The Hon. K.O. FOLEY: Madam Chair, the leader—

Mr HAMILTON-SMITH: You've been in government for seven years; you must know, surely.

The CHAIR: Order!

The Hon. K.O. FOLEY: The leader, Madam Chair, is attempting to put words into my mouth. Is it true that you told untruths to your colleagues?

Mr HAMILTON-SMITH: I am asking you the questions.

The Hon. K.O. FOLEY: Did you really?

Mr HAMILTON-SMITH: I am asking you the questions, Treasurer, but, if you want to go off on sideshows—

The Hon. K.O. FOLEY: You told Mitch and Vickie—why did you fib to them?

Mr HAMILTON-SMITH: Madam Chair, are you going to call him to order?

The CHAIR: Treasurer, perhaps you can address yourself to the questions.

The Hon. K.O. FOLEY: Sorry. I just don't know why you would fib to your senior colleagues about something as important as fake documents.

Mr HAMILTON-SMITH: Madam Chair, are you going to call him to order? You seem very keen to call the opposition to order—

The CHAIR: I just have.

The Hon. K.O. FOLEY: I apologise, Madam Chair.

Mr HAMILTON-SMITH: —or are you going to be—

The CHAIR: Order! I just have. Leader of the Opposition, do you have a question?

Mr HAMILTON-SMITH: We are obviously not getting an answer to savings or revenue measures linked to the commission's work.

The Hon. K.O. FOLEY: What are you going to do?

Mr HAMILTON-SMITH: Well, I'm asking you, Treasurer; you are the Treasurer, actually.

The CHAIR: Treasurer, I am presuming that is a rhetorical question.

Mr HAMILTON-SMITH: Yes, it was. I apologise, Madam Chair. I'm being naughty again.

The CHAIR: Have you completed your answer, Treasurer?

The Hon. K.O. FOLEY: Yes, Madam Chair.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, page 2.34. The budget papers point to general government full-time equivalents increasing by 1,308 above budget this year. You have said that you will be cutting 1,200 jobs from the public sector in 2009-10. Does this mean that the 1,200 job cuts next year will ensure that you will almost break even on a net Public Service basis rather than a net public servant increase? In other words, you are going up, but you are cutting back. Is there going to be a net decrease?

The Hon. K.O. FOLEY: I think the mathematics is pretty obvious. The result at the end of next year will be: the public servants we have today, those who may be hired over the course of the next 12 months, less those we take out of the system equals the net number. The Deputy Under Treasurer points out that as at 30 June 2009, it was 78,370; as at 10 June, we estimate 77,616. That is at the top of the page. Your answer is 2.16.

Mr HAMILTON-SMITH: What difficulties have you experienced with your cap and control measures to contain Public Service growth?

The Hon. K.O. FOLEY: We have a much better system now than we have had in the past. It is not perfect at all, and it still needs further work and better discipline from some agencies, but, at least we now have a much better understanding of the size of the workforce. Bear in mind that the complexities in workforce size occur because you have a lot of people who work part-time; so, the number of FTEs does not equal the number of people you employ.

We have contractors, and, in some agencies, there is a rapid movement of labour in and out; but, we have a much better handle on it. We need to do better. Bear in mind that, roughly, 70 per cent of every dollar that we spend in government is on wages. If you increase spending in health by \$100 million, or if you have to meet unmet demand through the course of a financial year of, say, \$100 million, that comes with a lot of extra people. You just do not spend that money; you actually employ doctors' hours, nurses' hours or orderlies' hours. That is where it is very difficult to keep a lid on employment numbers to the extent that you would otherwise like to.

Mr GRIFFITHS: I have a supplementary question on the same reference for the Treasurer. Given that the cap restrictions have been in place for two years—and I understand that where policy initiatives are announced by you it impacts on the cap in itself—are all departments within government operating at their cap levels?

The Hon. K.O. FOLEY: My advice is that the last reporting we had back on this is that all agencies are working within their cap, with the exception of health. The problem for health is the problem I have just outlined, that they have such demand pressures on them that it is very difficult for them to keep within a cap.

I wish we had the luxury of knowing when we forecast our budget each year as to exactly what the final growth will be in dollars spent in the health department, but it is a factor of flu, the cold season, the heat of the summer with the terrible health consequences of a very hot summer—they are the issues that govern how many people come into the hospitals, and we do not turn people away. Unfortunately, because of that factor, containing costs and, therefore, FTE numbers is very difficult in the health portfolio, and it has been a problem for every government for long as I can recall.

Mr HAMILTON-SMITH: On that same reference, page 2.34 of Budget Paper 3, given the Treasurer's answer to an earlier question, the first paragraph on the page points to the estimate of FTEs at 30 June 2009 as 1,485 higher than estimated at the time of the 2008-09 budget. Noting the Treasurer's earlier answer, how many of those health sector employees are actually doctors and nurses, or is there growth outside of—

The Hon. K.O. FOLEY: Of course there is. When you have more activity in hospitals you will, no doubt, have more demands on orderlies, food services, linen services, wear and tear on buildings, so that is clearly not just doctors and nurses. There is a complete suite of skills that are needed when catering for patients, so I am not disputing the fact that there are more than just doctors and nurses. We do not have a breakdown.

Mr GRIFFITHS: As a supplementary to that issue, given that health is where the excess staff and excess costs are being incurred, is there a weekly or monthly reporting mechanism back to you so that you are aware of these situations?

The Hon. K.O. FOLEY: Yes, there is, it is a monthly reporting, and my guess is that internally Treasury probably has more than a monthly—we have daily relationships with the health department. On FTE reporting we have three-monthly reporting from all agencies, except health, which gives us one-monthly reporting, and financial reporting is monthly.

But bear this in mind, when I came to office, the health commission, or whatever it was called in those days, reported once a year. Such was the animosity between Rob Lucas and Dean Brown that Dean would be given his budget at the beginning of a year and Treasury would have, effectively, no communication and control until the end of the year when health told it how much it had overspent. That is what happens when you have a divided government.

I appeal to you guys, if you really want to have a crack at government, you have to be united and you have to work as a team. You cannot have this division that you currently have across the front bench. I find it extraordinary that you have a deputy leader who does not support the leader, you have the member for MacKillop who has told the leader to resign.

Mr GRIFFITHS: You are digressing a bit.

The Hon. K.O. FOLEY: You have the shadow attorney-general out there saying that she wants the job. It is a very divided opposition. So, I am just giving you some advice, Martin, you have to get some discipline, cohesion and teamwork amongst your colleagues.

Mr HAMILTON-SMITH: I remember you drunk down in the bowels of Parliament House leaping to say, 'I'm ready to lead' when you were knifing your Premier just last October. Just took a 50-50 Newspann poll to shake you, didn't it?

The CHAIR: Does the Leader of the Opposition have a question?

Mr HAMILTON-SMITH: And when asked you would not deny having stood and said that either. Like the barbecues—

The Hon. K.O. Foley interjecting:

Mr HAMILTON-SMITH: Well, you know, you want to have it both ways.

The CHAIR: Leader of the Opposition.

Mr HAMILTON-SMITH: You have had the knife out for Mike Rann for years and years.

The CHAIR: Order! The leader will—

Mr HAMILTON-SMITH: Well, there you go, Madam Chair. Point of order.

The CHAIR: The leader will keep—

Mr HAMILTON-SMITH: Point of order. Why is it that you are so keen, Madam Chair, to pull me up, but you let the Treasurer go on? Do you not think it is appropriate for you to be impartial?

The CHAIR: The difference, Leader of the Opposition—

Mr HAMILTON-SMITH: There is no difference, except for the fact that you need to be an impartial chair.

The CHAIR: —is that you ask questions, and the Treasurer answers them.

Mr HAMILTON-SMITH: Well, Madam Chair, if you are going to be a chair, be fair.

The CHAIR: Order! Reflections on the chair are extraordinarily out of order, Leader of the Opposition. I suggest you stick to asking questions.

The Hon. K.O. Foley interjecting:

Mr HAMILTON-SMITH: Well, you should not digress, Treasurer, and we would not have to reflect on your efforts last October to knife your Premier.

The CHAIR: Order! Leader of the Opposition, ask a question.

Mr HAMILTON-SMITH: I will. Page 2.4 of Budget Paper 3, about two-thirds of the way down the page it states, 'Savings measures announced in previous budgets are proceeding.' There

are, however, few numbers in the budget, or previous budgets, to indicate whether previously promised savings have actually been achieved.

At the beginning of the expenditure chapter in past budgets there has usually been a table of savings to be achieved over the forward estimates, but I am not finding similar information in this budget about savings outcomes, and whether any savings measures were achieved. Savings targets very easily could have been cancelled if you had received windfall revenues, as you have repeatedly.

The Hon. K.O. FOLEY: We have made it very clear that the Smith review, which identified some \$695.1 million of savings—cabinet reversed, having adopted those quantum, \$51.7 million over the four years, a 7.4 per cent reversal, which means that we have implemented 93 per cent of those savings and they are all on track to be delivered. Individual measures in the savings area are under the individual agencies' portfolios, I am told.

Mr GRIFFITHS: If I could ask a supplementary question relating to that answer from the Treasurer. Even in my three short years here, I am aware of the Smith review and the efficiency dividends required there, I am aware of your 0.25 per cent efficiency dividend required from each department in previous years, the dollar savings that you put in last year's budget and now the \$750 million one. The dilemma is though, when I look at this and I try to identify whether those accumulated savings targets have actually been met, it is not reported within the budget papers.

The Hon. K.O. FOLEY: It is not my job to read the budget papers for you. That is your job. You could not get much more openness and transparency than that.

Mr HAMILTON-SMITH: Why do you not help public accountability by providing a more concise summary of whether or not your earlier savings targets have been met?

The Hon. K.O. FOLEY: I know you are struggling in your job, but damned if I will be there helping you to do it. You have to concentrate on your job a bit more than dodgy documents and stuff like that. I will not do your job for you.

Mr HAMILTON-SMITH: Were you concentrating on your job when you tried to sell that building in the City of Adelaide that you didn't own? Do you recall that you had to come in and apologise to the parliament, 'Sorry, there's millions of dollars I was hoping to make in the budget from a building I was planning to sell but I don't own the building.' Treasurer, it's nice to know you are diligent—you are a nice, competent treasurer. We can sleep well at night knowing that you have done your sums, so don't come in here and try to throw it about. You have made a few crackers on your own, without assistance.

The Hon. K.O. FOLEY: I have made errors and I have acknowledged them. I have walked in here and done it. I have not misled the parliament or my colleagues. I don't think you want to call a substantive motion on that.

Mr HAMILTON-SMITH: Madam Chair, I don't require a substantive motion, but I just ask you to—

The Hon. K.O. FOLEY: You don't think you misled parliament?

Mr HAMILTON-SMITH: Well, as you know, those accusations can only be made by substantive motion.

The CHAIR: Order! There is no capacity for—

The Hon. K.O. FOLEY: Do you want a substantive motion? I don't think you do. You would not survive it. Your own colleagues would cross the floor, Martin.

Mr HAMILTON-SMITH: Well, Madam Chair, you've got to get control of this committee.

The CHAIR: Treasurer, perhaps we can return to the budget papers.

Mr HAMILTON-SMITH: Well, I just ask you to get control of the committee, Madam Chair.

The CHAIR: Leader of the Opposition, I—

Mr HAMILTON-SMITH: It's just basic in standing orders that—

The CHAIR: —just have. Please show some respect.

Mr HAMILTON-SMITH: I refer to the same reference, same budget line, page 2.4. Shared Services savings have not been achieved. We were talking to the Auditor-General about that this

morning, through the Premier. How do we know, for example, from the budget papers whether the 1,600 job cuts announced in the Mid-Year Budget review have been achieved?

The Hon. K.O. FOLEY: They have not been implemented yet; give us a break—

Mr HAMILTON-SMITH: It is an example of how—

The Hon. K.O. FOLEY: Hang on. Madam Chair, it might be one thing for him to mislead his colleagues, but he cannot mislead the parliament and misreport what I am saying. We have not said those 1,200 jobs would be gone because they have not yet been identified. We are going through the process now. How can you say we are not going to achieve something that we have only just begun? Therein lies your problem, Martin: you just don't tell the truth. You have to start doing it or you will be in serious trouble in this job.

The CHAIR: Order, Treasurer! I know you are not a member of the committee, but you are a witness and normal standards prevail, including addressing members by their title.

The Hon. K.O. FOLEY: I apologise, Madam Chair, but I cannot have untruths said repeatedly. That is why he gets himself caught up all the time.

The CHAIR: Leader of the Opposition, do you have a question?

Mr HAMILTON-SMITH: What was said just then, Treasurer, when we were asking about how you present the savings information in the budget—you are just being rude, really. I don't know if you can help yourself. It is a bit sad, actually, from a minister. But we will move on to another subject.

The CHAIR: Order! Treasurer, do you have something to say?

The Hon. K.O. FOLEY: In relation to Shared Services I am quite satisfied, notwithstanding there have been problems with delivering the savings as early as we would like and there are implementation issues. This is a big picture reform for a state government. This is not easy stuff. It is something that most, if not all, governments are having to grapple with. It is something that all major corporations are implementing, have implemented or will implement.

Where can we make savings in government service delivery that means we have more money to deliver in the form of services? I do not shy away from having courage as a treasurer to push through this reform. As a result of 2008-09, we had a budgeted savings target in Shared Services of \$45 million, together with ICT savings, savings from SA Warehouses, mobile carriage services with ICT, and tranche 1 transitional savings in Shared Services.

We have got a figure of \$30 million booked in for 2008-09—which is \$15 million less than we hoped but \$30 million that we did not otherwise have—and the out years are \$60 million; so we have \$30 million of that locked in. I am confident that over the next few years we will close that gap and, in the end, deliver more than the \$60 million we have identified.

In fact, I have high hopes that part of what the Carmody review will unveil, unfold or discover is other ways in which we can benefit from a shared service capacity for service delivery in the government. I think it is an exciting future for saving money. I was meant to go over there the other day; I have not had a chance. I am told there is a good culture developing and good morale. All the people in HR and accounts payable and receivable, and the various other functions we have put into these services, are now working with their peers and colleagues with similar professional skills. It is an exciting future, and they are building a brand new business in government. I think it is a great initiative.

Mr GRIFFITHS: I have a supplementary question. My recollection is that the Auditor-General's Report from last year identified across the forward estimates a gap of \$103 million where the savings projections could not be quantified. It appears that you are quite confident that the majority of that will be achieved.

The Hon. K.O. FOLEY: Let's wait and see. What I am saying is that, in order to capture the full \$60 million per annum, it is taking longer than we hoped, but we are still confident we can get there. If we get there a year or two later than we otherwise would have, that is acceptable because the net present value of those savings over the forward estimates period is quite significant.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, page 2.4, and the prisons PPP. When will the total amount of compensation payments and other payments the government will make to the consortia on the prisons project be disclosed?

The Hon. K.O. FOLEY: When they are paid. I will not flag upfront how much we are provisioning for compensation, because I am asking the consortiums to submit fair and reasonable costs for making representations to government. I am not obliged to pay consortiums one cent. I have made the decision that, given the amount of time, effort and expenditure and given my need to ensure that the market has confidence in this government going forward, a fair and reasonable compensation is appropriate. That will cost some millions of dollars. I am not going to individually break that up but, through the cancellation of the project, the budget saving is in excess of half a billion dollars. So, the value capture to government in this difficult time is quite substantial.

Mr HAMILTON-SMITH: When does the Treasurer at this stage expect that that will be resolved or settled?

The Hon. K.O. FOLEY: I do not know, to be honest. We will put a process in place in the near future and we will start sitting down with the consortiums.

Mr HAMILTON-SMITH: I refer to the same budget line. How much has the government spent to date on the prisons project on consulting, tendering, short-listing and other preparatory costs?

The Hon. K.O. FOLEY: We do not have that information, but I will take it on notice. Again, no doubt, the government's cost of its contractors was also in the millions, I would think. These are hard decisions that one has to make in a crisis. I did not create the crisis; I did not want the crisis. I had to adjust budgetary settings to accommodate the crisis. Something had to give, and it was this.

There is money that will have been paid to consultants—no doubt, in the millions—that otherwise would have been a better investment, given that we are not going ahead with the project. However, the budget benefit of the cancellation far outweighed it. As I said, with respect to the keeping of the AAA credit rating and the cost that would have had to borrowings, the pay-back period of what we are paying out is very quick. Keeping our AAA credit rating and having a cheaper cost of borrowings will mean that any compensation we pay will be more than easily captured over the next few years.

Mr GRIFFITHS: I have a supplementary question. Given that, in the same area, the Mid-Year Budget Review identified a deferral of the project for two years, I believe, and as the budget forward estimates, especially when you look at state GSP, predict across that delivery time a growth of 4¼ per cent for that year and the following year, how close were you to retaining this project?

The Hon. K.O. FOLEY: That is a good question. I am not going to answer it. Is the member saying back at the time of the Mid-Year Budget Review or at budget time?

Mr GRIFFITHS: At budget time.

The Hon. K.O. FOLEY: At the Mid-Year Budget Review, when we deferred it, we were absolutely confident that we would deliver this project on the revised time lines. The decision to cancel the project was taken very late in the budget process. In fact, some weeks earlier we had reconfirmed internally for the delivery of the project but, in the end, it was my decision as Treasurer, on all the evidence presented to me, that something had to give, and that decision was made late in the process. As I said, government recast the budget, essentially, a couple of weeks after we had approved the first draft, which saw a substantial improvement in the budget bottom line, because we revisited it and made it absolutely imperative that we keep the AAA credit rating.

Mr HAMILTON-SMITH: I refer to the same subject and budget line. Given that ABM AMRO, Deutsche Bank and Westpac were the financing consortiums short-listed for the prisons PPP, have any of those parties expressed concern or withdrawn their interest verbally or in any other way with respect to the proposed rail yard project?

The Hon. K.O. FOLEY: I do not think they would be happy. I do not even think AMRO exists any more in that format. I am not sure of the status of AMRO, because the Bank of Scotland bought it out. These guys would not be happy, and I have acknowledged that. However, that is the risk they take. As I said, I am not obligated to compensate these people. I have had meetings with banks and I have reassured those banks that we are absolutely 100 per cent locked in to proceeding with the hospital project.

However, I also make the point (I do not want to be too cute here) that it was the banking sector of the world that created the global financial crisis. It is not as if state governments went out there and said, 'How can we totally bastardise the global economic situation?' It was the banks. So, if banks get a bit too churlish with me, I have a pretty good retort to them. It is not necessarily the

four banks here, but the banks in general globally have got the world into trouble, which has necessitated governments such as this one having to take corrective action. The banks are pretty mature, robust outfits. I think they are licking their lips about the prospect, if they can get the capital, of financing the PPP project for the hospital.

Membership:

Hon. L. Stevens substituted for Hon. S.W. Key.

Mr HAMILTON-SMITH: On the same subject, at this stage of the process how many consortiums does the government feel will be in the running for the RAH rail yard project, given the market at present?

The Hon. K.O. FOLEY: We do not know. We have just gone out for expressions of interest. You would want two. Bearing in mind that this is a huge project, one of the issues, about which I have been quite honest and open with the parliament over many months now, is the funding requirement of this project and just how many consortiums will be able to access in their own individual right up to \$1.7 billion of capital. We are hopeful that we will get three or four; I do not know. There are a lot of people out there who are interested. If we get down to two, we have two. I would be happy with two, but much happier with three or four.

Mr GRIFFITHS: In some of the answers that the Treasurer has provided to the house he has talked about potentially up to \$1 billion being provided by the government as a grant towards this project—and I think 'grant' is the word that he used.

The Hon. K.O. FOLEY: That is the other one. No; I have said, I think, \$700 million. I could be wrong.

Mr GRIFFITHS: I thought the Treasurer said that \$700 million was for maximum capacity from PPP fundraising and potentially up to \$1 billion from the—

The Hon. K.O. FOLEY: I think what I am saying is that we do not know what that number is. It might have been for illustrative purposes, I might have mentioned a figure of seven; I do not know. Ultimately, there are a number of options for us. Hopefully, the market will finance this project completely and we will then enter into a contractual obligation for a payment stream over many years. If we judge that all consortiums have an upper limit to the amount of private capital that they can raise, we may consider a grant contribution.

What a grant contribution means is simply that we grant a number to the consortia, probably at the back end of the project—it depends, because that is subject to negotiation—and, by giving whatever the number is to the consortia, we have to pay for that borrowing but, equally, the payment stream that we would then have to make to the consortium would be less our capital contribution. So it does not alter the bottom line cost to government.

Mr GRIFFITHS: I appreciate the Treasurer's explanation. So the funds, of whatever value, are potentially provided to the consortium as a grant toward that; and, therefore, the state, given its financial position, presumably has to borrow those funds to make that contribution—

The Hon. K.O. FOLEY: Yes.

Mr GRIFFITHS: —towards the back end, the later years of contract delivery?

The Hon. K.O. FOLEY: Whatever is negotiated, yes.

Mr GRIFFITHS: But, as I also understand it, while the liability will show on the balance sheet for the 30 years of the lease payment, will there be a recognition on the balance sheet of that sum that is provided as a partial recognition of the value of that asset?

The Hon. K.O. FOLEY: I wish we could hide \$700 million worth of borrowings but, no, it comes up as borrowings for the project. Whilst we are on this, I read with some amusement the comments by the Save the RAH Committee on the weekend, which looked awfully like the Burnside branch of the Liberal Party. I must talk to Dr Tim Cooper, for whom I have the highest regard, but people have to understand that this notion that the hospital is going to cost us an extra \$200 million a year is a total misunderstanding, and perhaps Tim has had a misrepresentation made to him.

The actual cost of the project, whether or not we were to rebuild on the existing site, is the sum of the capital that you have to deploy and the cost of delivering the service. In fact, the hospital

on a greenfield site could, and we do not have this quantified yet, give anywhere between \$50 million to \$100 million a year in recurrent savings. So it is absolute nonsense to suggest we are wasting \$200 million a year by not rebuilding on the current site. It is nonsensical.

Mr GRIFFITHS: I get back to the focus of my question, though. I understand that the borrowings via the grant will show as a liability on the balance sheet, but will that same amount reflect as an asset or a partial asset? As I understand it, there will be 30-year lease repayments until the 2046 delivery when transfer of ownership occurs and, presumably, that is when the balance sheet will recognise the written down value of the building; but will there be an identification of it, when the grant is provided, as an asset?

The Hon. K.O. FOLEY: We will have to get a tax ruling on this, but if we provide a grant we would take a part ownership of the building commensurate with our grant, or something to that effect, for tax purposes; because the consortia will have its tax arrangements that it has to get into line, so if we provide a 30 per cent capital contribution we may take a 30 per cent ownership of the building upfront and we are effectively leasing the other two thirds from the consortia, or a part thereof, and it provides various other services for the entire building.

Mr HAMILTON-SMITH: If you need to put that amount of money into the project, in what financial years would you envisage that financial payment being made?

The Hon. K.O. FOLEY: First, it depends on whether or not we have to do it. I will answer that, but I preface it by saying I am not arguing that you should not be asking these questions but I do not get too hung up about the financing of this project. Whether it is a PPP or a DBOM that we constructed ourselves, financing of the project will happen. At present, we have a number of options available to us and we will pick the most beneficial option. If the financial markets are so constrained in 12 or 18 months' time, I may well take the position that I am going to borrow it all myself. We are dealing in the most extraordinary times financially. Sorry, what was the question again?

Mr HAMILTON-SMITH: In what financial years would—

The Hon. K.O. FOLEY: Again, that would be subject to negotiation with the successful consortia or the successful final bidders as to what, if any, capital contribution will be made by the state and, if there is to be a capital contribution, at what point in the construction of the project would the government's capital be required. My preference would be for the government's capital to be at the back end of the project.

Mr HAMILTON-SMITH: You just flagged the possibility that you could have to borrow it all and build it yourself. With your 2016 completion date, clearly, that would have implications for this particular estimates period and the period through to 2016. What impact would it have on the state's finances having to haul that amount of debt into the period from next year through to 2016, as opposed to the PPP option?

The Hon. K.O. FOLEY: You are talking hypotheticals. We do not know. Hopefully, by next year's budget we will be in a position to know how we are financing this project and we will bring the project to book accordingly. The ratings agencies are aware that we are building a hospital. It is not as if this thing is hidden. We had Moody's in yesterday going through our books, and S&P were through just recently. They see all that stuff coming. They know what is coming, and they have still reaffirmed our AAA rating, even with that in place.

Mr HAMILTON-SMITH: Have you had any discussions with the commonwealth about its being a co-lender or debt guarantor on that particular rail yards hospital project?

The Hon. K.O. FOLEY: No, we have not. What the commonwealth has done, of course, is provide a \$200 million funding line for a new research centre. On the issue of a commonwealth government guarantee, you do not do it project by project—it is not project-specific. You do it for your overall portfolio of borrowings. My latest advice is that we are not at this stage in a position where we will need to avail ourselves of the commonwealth guarantee for our borrowings. We are able to get our bond issues away without the need for the commonwealth guarantee. That is our current position. As we incur future increases in our debt that may not be the case but, at this stage, we are not availing ourselves of the commonwealth credit guarantee—which I think, again, is indicative of the good position our state finances are in.

Mr GRIFFITHS: Supplementary to that, if the commonwealth guarantee does have to be accessed what is the additional cost? Is it 30 basis points or thereabouts?

The Hon. K.O. FOLEY: Yes, 30 basis points.

Mr HAMILTON-SMITH: Was the public sector comparator prepared by the government or by an external consultant? What processes are in place for the review of that public sector comparator as the process moves forward?

The Hon. K.O. FOLEY: Which project are we talking about?

Mr HAMILTON-SMITH: The railyards hospital. Have you completed your public sector comparator for the railyards hospital?

The Hon. K.O. FOLEY: We have done early drafts of it. That is the sort of process that would be worked up in partnership with our consultants right through this next 12 month period, because ultimately the public sector comparator will have to resemble what it is that the market comes back with. That is evolving, through the interactive processes that this involves. However, we do already have a fair indication of what our public sector comparator would be, but we are not in a final position on that.

Mr HAMILTON-SMITH: Was any information relevant to the public sector comparator on the USB disc that was lost recently?

The Hon. K.O. FOLEY: I am waiting on a response from the Crown Solicitor in the very near future. Over the course of the weekend and early this week we have had forensic accountants and IT specialists going through the computer systems of the officer involved to ensure that we know exactly what was on the flash, and I will not make any comment until such time as I have that report, we know exactly what was on it, and I am in a position to explain exactly how we are dealing with it.

Mr HAMILTON-SMITH: Can you update the committee on the current timeline for the proposed railyards hospital: tenders closing, shortlisting, site remediation completion, and commencement of building works?

The Hon. K.O. FOLEY: I thought we had already done that. Would you like me to table this? We put the EOI out for June 2009, we closed off the EOI at the end of July, and I did an industry briefing last week. We will announce a shortlist of proponents late 2009, the request for proposal documentation will go out late 2009, and the close of the RFP would be in mid 2010—say June 2010. We would announce the preferred respondent late 2010 and I would want contractual close very shortly thereafter, but that is a product of a bit of negotiation. We should see sod turning early 2011, and opening 2016.

Mr HAMILTON-SMITH: What is the current status of the remediation costs at the site?

The Hon. K.O. FOLEY: I do not have that answer but I am happy to take it on board. I think DTEI have dealt with that in the other place; it is their project.

Mr HAMILTON-SMITH: Has the government discussed or considered whether the successful bidder for the RAH rebuild in the rail yards will pay compensation costs for failed bidders? Might this be part of the successful bidder's contract?

The Hon. K.O. FOLEY: Say that again: will we pay for failed bidders?

Mr HAMILTON-SMITH: I think you have answered that previously. Is the government considering an arrangement where the successful bidder for the project is required to, in some way, pay compensation costs for any failed bidder, and might that be built into the contract? Is there any device in the arrangements—

The Hon. K.O. FOLEY: Are you suggesting that we would have something where a winning tenderer would pay the costs of the losing tenderers? That is a fairly low proposal.

Mr HAMILTON-SMITH: Is there any device to ensure that there is compensation for any unsuccessful tenderer?

The Hon. K.O. FOLEY: No; I find it bizarre that you would suggest that we would have something where a winning tenderer would pay the costs of a losing tenderer. I have no intention of compensating losing tenderers. That is the risk they have coming into this. I guess that is a question you will be asked to answer if you intend to scrap the project if you win office.

Mr HAMILTON-SMITH: That would include, I think you mentioned, the short-list, if it comes down to two final preferred tenderers—

The Hon. K.O. FOLEY: I am not compensating tenderers for their costs in a fair and open bid. What I am doing in the prisons process is acknowledging that the government changed the

rules extremely late in the process, and in my assessment and opinion it is fair, proper and reasonable to pay compensation.

Mr HAMILTON-SMITH: I refer to Budget Paper 5, page 30. Can the Treasurer update the committee on the timeline for the Health and Medical Research Institute, intended to be built alongside the proposed rail yards RAH?

The Hon. K.O. FOLEY: I think that is for the Minister for Health to answer, whenever he is up. We expect that tender to be out and let before the March 2010 election; I think that is the latest advice. However, I will let the health minister answer that.

Mr HAMILTON-SMITH: Are you able to provide any information on the costs of remediation at that site?

The Hon. K.O. FOLEY: It is the same site, is it not? I do not know the answer; you would have to ask the Minister for Transport; it is his responsibility.

Mr HAMILTON-SMITH: Moving on to Budget Paper 3, page 3.17. South Australia's GST revenue in table 3.15 was significantly below the revenue forecast in the federal budget released on 12 May—by \$71 million in 2010-11, \$161 million in 2011-12, and \$192 million in 2012-13. Can you advise why there is such a discrepancy here, especially when there are only three weeks between the two sets of data?

The Hon. K.O. FOLEY: Sorry; what was that—

Mr HAMILTON-SMITH: The federal budget provided one set of figures on GST revenue that we could expect, and then the South Australian budget provided a different set of figures. It was only three weeks apart, but it was quite a discrepancy.

The Hon. K.O. FOLEY: When the commonwealth budget came down it further revised down its forecast. This thing has been like a slippery pole. We had numbers revised in the mid-year review from the commonwealth in November, bang, which we then factored into our mid-year review. Then we got another revision down in the commonwealth budget and we had to reflect that in our budget. That is why I put a bit of distance between our budget and the commonwealth budget. In my earlier budgets it was pretty well line ball and we did not have a chance to update our number. However, the GST has slipped away at a rapid rate. Has that answered the question?

Mr HAMILTON-SMITH: Partly. The fact is that, within three weeks, your revenue forecast from GST is significantly less than what was in the federal budget. In the space of three weeks—

The Hon. K.O. FOLEY: No.

Mr HAMILTON-SMITH: It was a significant amount of money.

The Hon. K.O. FOLEY: I should have mentioned—and I am not being smart here because I still struggle with this—that the other factor is that each year we have an adjustment to the methodology of the distribution of the GST grants from the commonwealth. Every five years we have a super-duper major review of GST relativities. What Rob does in the revenue branch of Treasury (and all states do this) once we get the commonwealth data is we then have a look at the best estimates that we can make as to how the Commonwealth Grants Commission readjusts the relativities to each state.

The commonwealth purely models what each state should get based on the latest published relativity. What we do going forward is to make the best estimate that we can on what the likely revised methodology will be by the Commonwealth Grants Commission. That is why there is a difference. It is a peculiar science and I am forever confused.

Mr GRIFFITHS: I have a supplementary question for the Treasurer. I am sure you can understand the question being asked because a quick calculation of the sums involved and the differences between the federal allocation and what you have declared across the forward estimates is \$424 million. Is that work ongoing?

The Hon. K.O. FOLEY: That happens with every budget. What you will find is that the relativity swings. I will just get some examples of what is included in those relativities. What occurs here is that the Commonwealth Grants Commission works on a rolling five-year average of relativities between the states. Every year, one year drops off the data because a new year comes in, and we make those adjustments. This is a bloody confusing thing.

We have a look at things around the nation like: what is the royalty revenue that other states are expecting to get; what is the stamp duty they are expecting to get; and what does that

then do to the various states' relativities? What it means is that, if one state (for example, WA) is forecasting a reduction in mining royalties, that has a flow on to us in terms of our relativity and what we would expect to achieve. So, you make those adjustments every year.

In 2010 we have one of these wallopers coming along, which is the five-year methodology update, where the Commonwealth Grants Commission does a full five-year revision, and that can swing violently for and against. We get a chance to argue our case on this, but this thing can really hurt a state if the relativities go the wrong way.

What that means is that the Commonwealth Grants Commission does a wholesale review of population growth, stamp duties and all its methodologies. Some states like Queensland have gone from being a recipient state to a donor state. This is an incredibly complex methodology. All I can assure you is that it is not as if it is money that we are somehow putting under the blanket or under the couch—I wish it was.

Mr GRIFFITHS: My question is based on the examples provided by the Treasurer. If Western Australia's royalties income is to decrease, therefore, the principles of horizontal fiscal equalisation mean that it receives a greater amount of GST revenue. So, that is a negative to South Australia, is it?

The Hon. K.O. FOLEY: Yes. It is a five-year rolling average, so it would not be comparable from one year to the next. That year would then come into the series and it would then affect where you are at.

Mr HAMILTON-SMITH: That is getting back to the issue of the discrepancy between what the commonwealth estimated would be received in GST and what (three weeks later) the state budget estimated it would receive.

The Hon. K.O. FOLEY: They are two separate datasets.

Mr HAMILTON-SMITH: Yes. Clearly, if the commonwealth's projections are accurate, you will get a windfall GST receipt above and beyond what your budget—

The Hon. K.O. FOLEY: No, leader. Honestly, your level of understanding really does worry me. It is a silly question. You said that if the commonwealth estimates are correct we will get a windfall. I have just been explaining at length to the shadow minister for finance that if we get what the commonwealth says we will get, when the Commonwealth Grants Commission gets that data and updates its five-year rolling relativity for South Australia, we will get the number that we have published. There is no windfall. The only windfall we will get is if the commonwealth is out by a couple of hundred million a year on what it estimates we will get in toto. That would have an effect, but it could also have an effect the other way if it has overestimated. Our estimates are the best available; these are not exact processes.

Mr HAMILTON-SMITH: I make two points. There is a pattern over previous years of underestimation of revenues, which I think is well established.

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

Mr HAMILTON-SMITH: Underestimation of revenues.

The Hon. K.O. FOLEY: Correct.

Mr HAMILTON-SMITH: That has been well established and now we are adding it up each year. I just make the point that you use a different measure or a different method than the commonwealth. Why wouldn't you and the commonwealth work together on a common measure?

The Hon. K.O. FOLEY: Martin, please, you just don't understand this stuff. Firstly, yes, we have underestimated revenue in previous years, as has every government in Australia except that last year we got it horribly wrong, as did every government in the world, because that was a global financial crisis. What you are dealing with here is not an issue of comparable data sets. The commonwealth tells the states what, on its methodology, will be the pool of GST money that you will get.

If you look to the New South Wales budget, that is how I guess New South Wales is able to say that they subsidise the other states by a factor of three billion a year. I assume that in the New South Wales budget, the difference between what the commonwealth say New South Wales should get in GST revenue—sorry, I was wrong to try to use New South Wales because we all present budgets in different ways. The commonwealth forecast is the GST that it expects us to get on the current set of the known methodology that it has. What we do, in forecasting what we will

receive in each year, is we then modify our assessment as to what the likely relativities will be in the out years based on all the known information.

So, I guess the commonwealth works on a five year relativity and the five year relativity that we work on is five years with one year out and one year in. The commonwealth holds these forecasts constant across the forward estimates while we, where we can, adjust our forward estimates for what we consider will be changed circumstances. That is the way it has been done since the beginning of GST, I would assume, since you were in office. It is the same way you did it or Rob Lucas did it.

Mr HAMILTON-SMITH: Is that right?

The Hon. K.O. FOLEY: Yes.

Mr HAMILTON-SMITH: In Budget Paper 3, page 4.6, the table says that the federal government has reduced health payments to South Australia by about 6 per cent. Does this mean that the state is funding an increased portion of the health budget this year? It tends to suggest that there has been a reduction there.

The Hon. K.O. FOLEY: I will get a more detailed answer for you, but when we did the new health care agreement, the commonwealth actually paid a large tranche of money to us upfront in 2008-09 to help its budgetary position. The commonwealth could get the money out of the door in 2008-09 so we would take it in revenue in 2008-09 and then we would expend it across the forward estimates. We think that is the answer there, but I will get that checked.

Mr GRIFFITHS: As an extension of that, is the funding agreement that is in place between the federal and state governments about health a five year agreement?

The Hon. K.O. FOLEY: It goes on forever, but it is reviewed in five years.

Mr GRIFFITHS: Given that it does go on forever, though, when was the latest agreement negotiated?

The Hon. K.O. FOLEY: Earlier this year.

Mr GRIFFITHS: And that reflects a growth payment?

The Hon. K.O. FOLEY: Yes; it is an improvement on what we had from the previous commonwealth government which was funding us (I think) around 4 per cent growth. I think out of this agreement we might have got 6 or 7 per cent. It is more generous by a couple of percentage points, from memory. It is still not enough, I have to be honest, and I made that point very strongly to both Wayne Swan and the Prime Minister. Some other states were satisfied, but we were not, because it will be a continual battle if health costs are running at 9 per cent and the commonwealth is giving us 6 or 7 per cent and we still have to find that extra couple. We have a disproportionate share of the growth component of that funding.

Mr GRIFFITHS: The age demographic of our state doesn't help that situation either.

The Hon. K.O. FOLEY: No.

Mr GRIFFITHS: Therefore, of the total cost of health provision in South Australia, what is the level of funding that the federal government provides as a percentage of that cost?

The Hon. K.O. FOLEY: It was supposed to be 50-50; that was the old agreement. Under the Howard government, it had slipped dramatically and I think it was probably under 40 per cent. This agreement, I think, brings us above 40 from the commonwealth and we do the balance, but it is still not back to 50-50.

Mr GRIFFITHS: That's just it. With health costs increasing above the level of growth in federal funding, that percentage is going to continue to decrease, also.

The Hon. K.O. FOLEY: Yes, exactly right. That is why, whilst it was very welcome to have an agreement with the commonwealth, it is not as good as I would have liked. The commonwealth has its own political issues that it has to deal with financially.

Mr HAMILTON-SMITH: On that same subject, what provision is being made in the budget for any extra people switching to public health due to the federal government's plans to means test the private health system? Is that a provision that has been specifically made?

The Hon. K.O. FOLEY: There's been no explicit provision, and I don't think evidence is suggesting that that is occurring, but if it does occur, we will have to adjust accordingly.

Mr HAMILTON-SMITH: I refer to Budget Paper 5, page 54, regarding desalination. You announced that you would match the \$228 million from the federal government with \$228 million of your own. On 5 December, the Premier said that the extent of future increases in prices can only be determined once the financial contribution from the federal government is negotiated. What will be the further increases in water prices on top of those previously announced to recoup the unbudgeted \$228 million that the state government will spend on doubling the desal plant?

The Hon. K.O. FOLEY: We have a process in place for water pricing and water pricing announcements. My understanding is that there are some amendments that have been flagged, if not passed, that would have a further notification in December of each year. But a priced path for water is not calculated in toto. It is a factor of the capital that you have expended on your water system in a given year and the commercial return that one expects to get from SA Water, and that becomes effectively a water price. Whoever is in government will make those announcements whenever the legislation says, each year, that we should.

Mr HAMILTON-SMITH: On the same subject, the government's 2009-10 water and waste water pricing transparency statement indicated that the government had benchmarked a 6 per cent return on its assets. But, given that the desal plant has been partially funded by the federal government (I think it is \$328 million, or thereabouts, in total), will the state government be seeking a 6 per cent return on the percentage of the asset that was funded by the federal government as well?

The Hon. K.O. FOLEY: From memory—and I respect the fact that the member was not in the parliament at the time—a lot of work was done by the Audit Commission in the early 90s by the then Brown/Baker government. That Audit Commission report recommended the corporatisation of SA Water (the old E&WS) and said that—I am not sure it is a commercial rate of return—you should be aiming for a certain rate of return, and I think they recommended 6 per cent. But, the commercial rate that we would seek to return from the desalination plant would be on our own capital that we put in, not the commonwealth's contribution. That would be taken as a free grant—a contributed asset, I am told it is called. I think the commonwealth would slit our throat if we attempted it.

Mr GRIFFITHS: I refer to Budget Paper 3, page 7.7: Capital Investment. The report says that a 1 per cent increase in the cost for the capital program in the general government sector will increase expenditure by approximately \$22 million in '09-10. What is the total risk if the non-financial public sector is also included?

The Hon. K.O. FOLEY: It would be proportionate.

Mr GRIFFITHS: Do you see this as a risk, given that other projects announced in recent years have increased somewhat in cost?

The Hon. K.O. FOLEY: My guess is that the non-financial sector is probably more likely—I do not know if experience demonstrates it—to get their capital budget in on what has been forecast. It goes both ways. One of the things is that a number of agencies have underspent capital, and we have slippage. I think it is fair to say—I have said it in here—the rating agencies are a little sceptical that we will get everything out the door that we say we will.

But, equally, I guess if the SA Water utility, which is our main non-financial asset, spends less capital than what it expects to, that will be reflected in water prices or escalations; but if there are escalations, that would be transferred in the calculation of the price. SA Water operates as a publicly listed corporation would in the private sector, and its capital expenditure is a direct item that impacts on its bottom line.

Mr GRIFFITHS: Therefore, Treasurer, do you include any of this level of risk as part of your contingency sums?

The Hon. K.O. FOLEY: We do not have a contingency for SA Water not performing to its expectation. If it does not deliver us the dividend and the profit share that we expect, we get a hit to the bottom line.

Mr GRIFFITHS: I refer to the Housing Trust and HomeStart. In response to a previous question from the Deputy Leader of the Opposition in regard to how people who access funds through this are advised, why is it that announcements to changes to the variable interest rate are made through *The Advertiser* instead of a direct letter to those people who are borrowing those funds?

The Hon. K.O. FOLEY: You would have to ask the minister that question. It's cheaper, I guess. I don't know. Do banks send you letters?

Mr GRIFFITHS: It shows on the statement when a change of interest rate occurs.

The Hon. K.O. FOLEY: Yes, but they do not send you a specific letter, though, do they?

Mr KENYON: HomeStart send out some letters.

Mr GRIFFITHS: I refer to Budget Paper 4, Volume 3, page 11.27: Accrual Appropriation Excess Funds Account. This is the only mention that I can find in all the budget papers of the Accrual Appropriation Excess Funds Account. Why doesn't the budget actually publish more detail about this account?

The Hon. K.O. FOLEY: We keep one central fund for that in Treasury. That is, the accrual obligations that agencies have incurred. We keep it, to meet their employee obligations in relation to employee entitlements, long service leave entitlements, and there is some depreciation. We keep it centrally, because if we give it to each of the agencies they are just as likely to spend it and not have it for what it is meant for, which is the honest answer. Don't tell the department that; they might think that we don't trust them.

Mr GRIFFITHS: Therefore, the '07-08 Auditor-General's Report indicated that, in that period, there was some \$415 million in that account.

The Hon. K.O. FOLEY: Yes.

Mr GRIFFITHS: The Auditor-General, as part of that statement, mentioned that this is a source of cash to reduce employee current entitlements and liabilities and to fund capital expenditure. What amount of money currently sits within the account?

The Hon. K.O. FOLEY: That was the balance as at 30 June last year. I guess it would be a similar number. Transfers in and out would transfer accrual appropriations to the agencies as required; other money we would take into that fund. We could either divide that up each year in the budget and give an appropriation to each agency or keep it centrally so that we can manage these accrued obligations to the state. Whether it appears in the budget, I am not certain, but internally in the agencies' accounts they are told what their provision is; we just do not give it to them until they need it.

Mr GRIFFITHS: Can you provide us with the value of the transfers?

The Hon. K.O. FOLEY: Yes. It will take a week. We will give you the 30 June figure. Are we finished?

Mr GRIFFITHS: No, never. What is the value then of the account funding requests from government departments that were not approved, and, indeed, what are the reasons for some of those requests not being approved?

The Hon. K.O. FOLEY: We are not aware of any, but we will check. They should all tally. We would have an agreement with the agency of what the correct ask was before it asked for it.

Mr GRIFFITHS: Are there ever any circumstances in which departments or agencies are required to pay back funds to that account?

The Hon. K.O. FOLEY: We only transfer it to the agency when we have an agreed figure as to what that number is, so I do not think that would have occurred. I cannot be absolute, but I would be surprised.

Mr HAMILTON-SMITH: The opposition has obtained (under FOI) a Treasury document entitled, 'Budgeting for employee entitlements'. Pages 4 to 7 of that document suggest that agencies can reduce their workers compensation, annual leave, long service leave, depreciation expenses, etc., using this account without impacting upon government expenses. Under what circumstances have agencies been granted money from the account to reduce these liabilities?

The Hon. K.O. FOLEY: My advice is that that relates to prior year events where agencies can make application for funds, and we will provide the cash to them to make the payments. It is not recorded—and this is one of the cute things about public accounting; I love this one—in the year that it is expended. It is a prior payment and so it is taken into the year in which the liability was incurred.

Mr HAMILTON-SMITH: I will move on to taxation issues, Budget Paper 4, Volume 1, page 3.5. Included in the 2009-10 targets is a target to 'examine state taxation arrangements as

part of considering the report of the Australia's Future Tax System Review'. Did the government, and this department in particular, provide a submission to the Henry review?

The Hon. K.O. FOLEY: The government made a submission, but it was a fairly bland contribution, I think it would be fair to say. Our submission highlighted, I think, the problems of vertical fiscal imbalance and the fact that we need more money under whatever regime comes out of this if we are to be able to continue to provide the services that the nation needs.

The Council for the Australian Federation (CAF) has put in a submission. I cannot recall exactly what is in it, but the great problem that we have—and it has really exacerbated itself in recent years—is that, notwithstanding the GST, 'vertical fiscal imbalance' means that the commonwealth—do not hold me to these numbers—collects the vast majority of the nation's taxes in company taxes, income taxes and some other bits and pieces, but the states, which might collect 15 or 20 per cent of the nation's taxes, deliver a disproportionate share of the services. So, it is the state governments that provide a lot of the expensive services.

A lot of what the commonwealth does outside of defence is really to transfer payments. You know, it transfers social security payments. I am not saying that that is not important, but it is not like putting a police car on the road, or a fire truck, or running a hospital or hospital services. On the work that CAF has done—and I think this is not disputed—in all of the Western world's federated states, whether it is Canada, the United States, Germany, or wherever else, our level of fiscal imbalance—that is, the disproportionate share of who raises taxes and who spends the most on services—is the most acute.

The commonwealth would not necessarily agree with that, although I think it would be hard to dispute the facts. We have a false hope, I reckon, and I hope I am wrong, but we are sort of hoping that out of the Henry review this issue of vertical fiscal imbalance could be addressed. I remain to be convinced of that. I think not a lot will come out of that in terms of vertical fiscal imbalance.

The Business Council of Australia is saying that we should eliminate payroll tax and stamp duty on commercial properties—I do not think it is saying on residential properties—but it is not telling us how to have replacement income sources. It is not hard to identify those taxes we wish we did not have to pay, but it is difficult to think of a tax that can replace it.

In hindsight I think during the initial GST debate state treasurers of both political persuasions were wrong to sign up to the suite of taxes they did; and I am talking about FID and BAD tax. If we did do it we should have had a much better guarantee from the banks that they would not move into the space we were in. What annoys me is that no-one had a clue they were paying BAD or FID tax.

The Treasury officers would probably disagree with me because there is economic effect here, but my guess is that the banks moved in and adjusted their fees accordingly, if not by a bit more. Anyway, that is all history. My argument is not based on sound economics but, rather, just what I think would have occurred. It will be interesting to see what Henry comes up with. It will be a difficult task.

The Hon. G.M. Gunn interjecting:

The Hon. K.O. FOLEY: You are absolutely right, Graham. If by definition it does not disadvantage the commonwealth, it will hardly advantage the states.

Mr HAMILTON-SMITH: Will the government table or make available publicly its submission, if it has not already done so?

The Hon. K.O. FOLEY: I think it is posted on the website, to be honest.

Mr HAMILTON-SMITH: Is it already available?

The Hon. K.O. FOLEY: I think it is; we will look at it.

Mr GRIFFITHS: When you say 'on the web', you mean the Henry review website.

The Hon. K.O. FOLEY: I will find out whether it is on the public record. If it is not, I will look at why we have not made it public and, if I think it should be public, I will make it public. If I do not think it should be made public, I will not do it.

Mr HAMILTON-SMITH: Apart from making the point that there is a fiscal imbalance, does the government have a view on the Henry review on state-federal tax reform that might see a rearrangement of the workload?

The Hon. K.O. FOLEY: Absolutely. I have just said that we think the vertical fiscal imbalance has to be addressed. We would like to get a percentage share of personal income tax, for example, but not in addition to the current rate. That would not be an option we would support. As Graham just said, anything that gives us more money by definition will mean that they will get less money. My guess is that we will not reach a common agreement, so we are talking in the hypothetical. There may be issues in terms of royalties, resource rents and some other options at the margin but, unless the commonwealth is prepared to part with a slice of its own source revenue—and we argue it should—and allow the states to have it, this imbalance will only get worse.

Mr HAMILTON-SMITH: Are you ruling out tax cuts before the next election?

The Hon. K.O. FOLEY: Am I ruling out tax cuts before the next election?

Mr HAMILTON-SMITH: Or any reforms to tax?

The Hon. K.O. FOLEY: I have just brought down a budget and I said that we had to make hard decisions—which meant not cutting taxes. I do not comment on taxes in between budgets. I have just brought down this budget. I have not thought about what I might do in the future. My appeal to you is that, whatever we do in the election campaign, please appreciate that we have very little, if any, discretionary money to play with.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, page 6.4. Last year's budget noted that \$35 million in a loan repayment by Mitsubishi Corporation went to the LMC. Does this money still sit with the LMC?

The Hon. K.O. FOLEY: We put it in the LMC because we had to park it somewhere until we know what we are doing. The most probable use for that money will be for our contribution towards the purchase of that site at some point. If that is done, it would probably be done through LMC.

Mr GRIFFITHS: I refer to Budget Paper 5, page 12. Under 'Works in progress' it reports on the RISTEC project, which has an estimated total cost of \$29.414 million. The most recent Auditor-General's Report states, 'In May 2008 cabinet approved an increased cost of \$45.4 million, with anticipated completion in 2010-11.' Can you explain the difference between the two figures?

The Hon. K.O. FOLEY: We are required to capitalise some components of the RISTEC project—and that is why the number appears so large. I will let Brett answer that because it is complicated.

Mr ROWSE: This is the component that we would capitalise. The other component we have to expend under accounting rules, so you cannot put it all in terms of the total capital project. The remaining elements of it are the amounts we have to expend, rather than capitalise. That is the difference.

Mr GRIFFITHS: The total cost is still \$45 million: \$16 million is expenses and \$29 million is capitalised.

Mr ROWSE: Yes.

Mr GRIFFITHS: Can you provide information about how much money has been spent on budget-related marketing on TV and radio and in newsprint?

The Hon. K.O. FOLEY: That is not my area. Did you ask the Premier that question today?

Mr GRIFFITHS: I was not here.

The Hon. K.O. FOLEY: Well, if you didn't ask the Premier, he handles government advertising. We are just the producers of the fine document that is the budget. We are a very modest bunch in Treasury and we do not go out of our way to seek glory for what we do; others may, but we do not.

Mr GRIFFITHS: I refer to Budget Paper 5, page 16: \$862 million for the South Road upgrade program. Can the Treasurer provide more detail about what this money will go towards and commencement and completion timelines?

The Hon. K.O. FOLEY: That is a matter for the transport minister to answer. I do not have that information.

Mr GRIFFITHS: And, similarly, with respect to light rail expansion?

The Hon. K.O. FOLEY: Yes. The member would have to ask the minister. I am just a bookkeeper.

Mr GRIFFITHS: This is certainly a reference with which the Treasurer is familiar. I refer to Budget Paper 3, page 3.8. Private land tax revenue has risen from \$222 million in 2007-08 to \$365 million in 2009-10. Why are you expecting private land tax revenue to drop in 2010 and then plateau over the out years?

The Hon. K.O. FOLEY: I guess we are forecasting a correction in the market and a factor of the effect of the global financial crisis on land values. There is also a lag—remember, we are always doing it a year behind. So, the values are a year behind, and that is why.

Mr GRIFFITHS: Land tax is a very emotive issue with the public, and you have probably received a vast number of representations. Are you giving consideration to reforming land tax policies before the 2010 election?

The Hon. K.O. FOLEY: Next question. That is a silly question.

Mr GRIFFITHS: I have a specific question this time. Anti-avoidance measures were approved by the parliament, I think, some 18 months or so ago.

The Hon. K.O. FOLEY: Correct.

Mr GRIFFITHS: What was the additional revenue received during 2008-09 from the implementation of anti-avoidance measures?

The Hon. K.O. FOLEY: With respect to the anti-avoidance measure—which, I might add, is supported by the Land Tax Reform Coalition (or whatever it is called), the member in another place, the Hon. John Darley, and the Liberal Party—I think initially we expected to raise some \$5 million per annum, and the latest information is that it has probably caught about \$19 million. So, it has caught a lot more than we expected.

Mr GRIFFITHS: I know that in some of the representations made to me it has been the ruling of the commissioner for revenue—

The Hon. K.O. FOLEY: The Commissioner of State Taxation, Mike Walker.

Mr GRIFFITHS: Yes.

The Hon. K.O. FOLEY: A very hard man.

Mr GRIFFITHS: That is the message that has been conveyed to me.

The Hon. K.O. FOLEY: That is what you would want in that position. You would not want a softie.

Mr GRIFFITHS: As part of the briefing to the opposition prior to that bill coming before the house, the \$5 million was a figure that was made known to us. However, to suddenly have such a vast increase in that revenue frustrates me, as someone who had the responsibility to—

The Hon. K.O. FOLEY: Why would it frustrate you?

Mr GRIFFITHS: Because we based an opinion upon the information provided.

The Hon. K.O. FOLEY: I hope you were not basing your opinion on the level of revenue one would raise. I would have hoped you made your decision on the merits of the argument as to whether or not we should have two classes of land taxpayers; those who paid their bills completely or those who had found an engineered way of avoiding land tax. Anti-avoidance is, by description, anti-avoidance. We had an assumption but, clearly, the problem was worse than what we thought.

I think that, rather than being distressed, the member should be very thankful that we have revenue of \$19 million a year into our system that was being avoided year after year under this government previously and under your government that could otherwise have gone towards paying for government services.

It was a matter of an injustice. There were people who were properly going out there and investing and paying their aggregated land tax (if it was aggregated) and there were those who had found that, if they put various structures in place and were able to divide it up with the involvement of their family or entities in their businesses, or whatever, they could get around aggregation. That was fundamentally wrong, and even the Hon. John Darley has agreed with us on that.

Mr GRIFFITHS: Given that \$19 million has been received in the current financial year, what is the forward estimates itemisation for anti-avoidance?

The Hon. K.O. FOLEY: It is that number going forward. There will be a factor of value and activity—and, who knows; maybe there is more out there and maybe there is not. I do not know. Maybe some people will dispose of their assets. You would not hold me to that number.

Can I just make a comment, in explaining the role of the tax commissioner, that he has to interpret the law. The tax commissioner has no other power than what the law has given him and he will make a judgment call on the application of that power. If someone disagrees, they have an objection right. That will go to the Crown Solicitor for an opinion and, in all cases, the Crown Solicitor will form an opinion. I have *ex gratia* powers, which I am loath to use, because I do not want to set up precedents. That is not to say it has not happened, but I am very loath to use them. It is ultimately the interpretation of the law. If we think that the tax commissioner is too harsh in his application of the law, we should be looking at the law itself, not at its application. I do not think that we are being too harsh.

Mr GRIFFITHS: I wish to ask a question about savings measures and targets. The \$750 million that the Sustainable Budget Commission is challenged with achieving is, no doubt, an important measure when it comes to the consideration of the ratings agencies of our financial position. What has been their comment to you if, indeed, that saving cannot be achieved?

The Hon. K.O. FOLEY: I am not going to discuss openly or with you privately my discussions with the ratings agencies. That is a matter between me and the ratings agencies. However, clearly, we have made a commitment to a level of savings that they would expect us to deliver. If we do not do so, they will assess our budget position at that time in the light of what the budget numbers are.

Mr GRIFFITHS: What will be the budget for the Sustainable Budget Commission?

The Hon. K.O. FOLEY: We have not yet decided that, but it will not be cheap. We are forming that figure, and I will have a number in the future at some point.

Mr GRIFFITHS: So, there is no indication of the number of staff involved or how often the commission will meet?

The Hon. K.O. FOLEY: I am not saying that we will not use some external support, although Mr Carmody has indicated that his preference would be to use a secretariat made up of Treasury and Department of the Premier and Cabinet officials and others who are seconded. So, internal staff. There will be costs, obviously, for Mr Carmody's time, in particular, but there will also be costs incurred by other commission members.

The Deputy Under Treasurer, Brett Rowse, worked on the secretariat during the time of the Howard government's razor gang when Mr Carmody was in charge of the secretariat. That does not mean anything other than the fact that Mr Rowse has worked in one of these roles previously and found it invigorating.

Mr GRIFFITHS: I take it that the group has not met yet?

The Hon. K.O. FOLEY: Not yet.

Mr GRIFFITHS: When do you anticipate the first meeting will be?

The Hon. K.O. FOLEY: Soon.

Mr GRIFFITHS: Is part of their requirement to recommend to you the timing of the delivery—

The Hon. K.O. FOLEY: What I want them to do is to meet, get to know each other, have a chat about what it is they are going to do, and give me some indication as to how long they think they will probably need for the exercise (but that will be a movable feast), and give to me an indication as to when they think they can do their work and recommend a likely date for next year's budget.

Every four years we will have this problem of a delayed budget. I was criticised by the opposition for having a delayed budget last time. I cannot see any other way of doing it. You have to acknowledge that any incoming government has the right to recast a budget. It would be pretty crook if I did the budget and we somehow made you deliver my budget, or vice versa.

Equally, there are promises and commitments made during campaigns and it is impossible to bring down a budget straight after an election. So I think every fourth year we will have to accept that it will have to be an August or September budget.

Mr GRIFFITHS: I understand the terms of reference for the savings requirements will not be delivered by a treasurer until after March 2010, but what is the requirement for the Sustainable Budget Commission between now and March 2010?

The Hon. K.O. FOLEY: I have just said that. They will meet and discuss how they intend to go about their work program, make an estimate as to how long it will take them to do that work, make a recommendation to government about what resources they will need, and advise government as to when they think would be a timely period for the new budget to be presented.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, page 1.7, table 1.3. The question cuts to additional special purpose payments from the commonwealth. I think when looking at the federal budget we observed around \$2.9 billion over four years. Clearly, some of the bigger ticket items (infrastructure-based items) have been flagged, but can you give the committee an indication of the structure and content of those significant additional special purpose payments and what they will be spent on?

The Hon. K.O. FOLEY: This is where the leader tried again—whether it is the case that he just did not understand it or whether he was trying to be sneaky—to suggest that, because we are \$2.9 billion down in revenue but we have \$2.9 billion of special purpose payments, we are really not down on money. It was quite misleading.

The \$2.9 billion, or whatever the number is, of special purpose payments I assume is the continuation of the programs that we have had in play previously. It is the next funding period for those payments, and they are detailed on page 4.6 where you get a full answer to exactly what those numbers are with a breakdown of each of the programs. That was what you actually asked a question about earlier, that is, whether we are 6 per cent down on health. That is the break-up of it. It is a continuation of the programs.

Mr HAMILTON-SMITH: Are you saying all of those grants are a continuation?

The Hon. K.O. FOLEY: Yes, there is some extra money on top of what we expected to get in health, and certainly for education they gave us a dollop of extra money, but that was all publicly released at the time of these agreements and itemised in the budget papers. All through the budget papers and the intergovernmental finances chapter you will see a complete breakdown of all those payments.

Mr GRIFFITHS: Referring to Budget Paper 3, page 2.34, and the 1,600 targeted voluntary separation packages that have to be met over the next three years, what is the savings to the budget through undertaking this? I know in an answer to a question in the house you have talked about it being paid for in 18 months, but what is the estimate of savings across the budget from that?

The Hon. K.O. FOLEY: It depends on how many positions. I am not trying to be difficult in answering it. The ultimate saving will depend on how many receive a voluntary separation package and how many go through natural attrition or whatever other mechanism we have. In terms of the ongoing saving to the budget (and I will come back to the cost of the separation packages), it would be a factor of, I guess, 1600 times (and this is only an estimate) the average salary.

We think that by 2011-12 we should achieve \$116 million of ongoing savings, but I accept that that is also variable because we have used an average salary to base that on. The 2009-10 year has a hit because we have forecast voluntary separation packages. For our budgeting purposes we budget for everyone taking a package, but I do not expect that will occur. I am very hopeful and confident that a number of these positions will be eliminated through vacancies and natural attrition. So, there will be a bit of a budget benefit there, perhaps, in terms of what I will provision next year for the value of the VSPs, but, to be prudent, we have assumed that everyone will take a package.

Mr GRIFFITHS: Is the average salary used something like \$73,000 or \$75,000?

The Hon. K.O. FOLEY: It is a big number. It is \$70,000 in 2008-09, indexed forward.

Mr GRIFFITHS: Given the efficiency dividends as required previously and dollar savings as required previously within departments and now the targeted voluntary separation packages, do you see some concern among public sector members who may no longer have an opportunity to continue in their role for different reasons? Some might be able to access a targeted voluntary

separation package. In other cases it might be a contract employee within a department who is told that the finance no longer exists for that role to continue. Do you see that as creating tensions within the workforce?

The Hon. K.O. FOLEY: I will not comment on that. It is an observation you can make. What do you want me to do differently?

Mr GRIFFITHS: As an expansion of that, given that the TVSP includes only a certain number of staff within each department, and page 2.34 of the budget paper identifies it for each of these departments across the next three financial years, how do departments manage staff reductions beyond that provided by the TVSPs?

The Hon. K.O. FOLEY: Generally, agencies can manage it through their own budgets. They can make application to us for some loan moneys, which we can loan if we think that their case is justified and on the proviso that they pay it back. I have to say that managing a government agency today is bloody tough work. Not only does a CEO have the responsibility of meeting benchmarks and the performance requirements of service delivery, they have a pretty tough budgetary regime. I do not take it lightly. What CEOs have to do with their teams is pretty horrible stuff in many cases, but it is what the financial times require.

That is why I have come to the conclusion that taking a slice off the top each time has sort of taken it down to the bone (a pretty crude expression), and the budget commission now really has to look at other ways of saving money. One way, and a substantial way, is serious wage moderation—and if the public sector sees the fact that that will save further reductions elsewhere, I would hope we could get that negotiated.

However, ultimately we have to find things that we are currently doing that we cannot do in the future; that is really what it gets down to. At some point governments will have to find functions of government where it is no longer viable for governments of any persuasion to continue those services. Those will be some of the challenges we—or you, if you get elected—will face when we get the Carmody report, which will be a public document. There will be plenty of room, and time, for debate on those issues.

Mr GRIFFITHS: What are the reporting requirements of individual departments to you on meeting these target TVSPs?

The Hon. K.O. FOLEY: They are required on a monthly basis in terms of their budget performance, as we said; it is three monthly for their FTE numbers. There are quite a lot of reporting functions, and CEOs are required, by a cabinet decision, that if they are having trouble meeting their budgets they are duty bound to notify their CEO and their minister, and then for the minister and the CEO to come to see me.

Every quarter we also do a run through the agencies to see whether they are meeting their saving targets. That report is given to the expenditure and review committee, the budget committee, of cabinet.

Mr GRIFFITHS: So where does direct responsibility lie? Is it the CEO of the department who has to determine where these positions—

The Hon. K.O. FOLEY: Yes.

Mr GRIFFITHS: Ministers are not involved, other than reporting to you?

The Hon. K.O. FOLEY: We have very strict laws about what a minister can and cannot involve themselves with, in the administration of the Public Service. Under the Westminster system, and this government, the CEO is accountable to the minister and to the Premier, and it is the CEO's responsibility to deliver on the budget agreed by cabinet. If they are unable to deliver on it they have to notify their minister, and both people need to come to me and have a chat. That is the nature of it; it is a tough ask.

I found it quite amusing when the PSA—I do not think it was even you guys—was saying, 'Shock, horror; the Treasurer is putting all this pressure on the CEOs to be the nasty people while the ministers and the government don't have to be.' Well, by law we are not allowed. It is a nonsensical argument by the PSA. Is it honestly suggesting that the minister should go through the agency and start tapping people on the shoulder? A few of my colleagues probably would not mind it, I probably would not mind it. However, we are prohibited from doing that by law—otherwise you politicise the public sector. That is why the public CEOs get the big bucks; that is their job.

Mr GRIFFITHS: I note that within your own department in 2009-10 there is a requirement for 43 positions—

The Hon. K.O. FOLEY: Yes; we just noticed that.

Mr GRIFFITHS: Has your CEO reported to you on any progress? I know that it has to be identified by the end of September, but what level of work has been done on it?

The Hon. K.O. FOLEY: I have not yet received advice, from memory. They are progressing it. Both deputy under treasurers are busily working out how we are to do it. We like to lead by example in Treasury; we sort of set ourselves up if we cannot.

Mr GRIFFITHS: I now refer to Budget Paper 3, page 2.11, where you itemise the expenditure and savings initiatives. Does table 2.5 reflect all savings initiatives that departments must make, including all previous announcements?

The Hon. K.O. FOLEY: The previous budgets have announced the cuts in those budgets, this budget outlines the requirement in this budget, and future budgets will outline the requirements in future budgets for those financial years. Nothing is hidden; it could not be more open. Poor old Robbie Lucas gets his knickers in a knot over this sort of minutiae, but we are delivering.

Mr GRIFFITHS: Talking about staff issues, how often do individual departments actually review their budgets to determine whether positions are able to be funded? Is that a constant process?

The Hon. K.O. FOLEY: You would have to ask each individual minister and their CEOs. I am not responsible for how each agency is administered or how each CEO goes about meeting their saving requirements.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, page B.8. What other projects have their debts included in a non-financial public sector that are not included in the general government sector? That is to say, what capital projects account for the difference between the \$6.7 billion of non-financial public sector debt and the \$3.1 billion of general government sector debt that is shown?

The Hon. K.O. FOLEY: The suggestion that we are hiding our debt levels is ridiculous. The budget, when we bring it down, reflects the general government sector. I call it the 'budget' sector because it sounds a bit easier to understand. SA Water's capital program is what SA Water's capital program is. I do not know what the individual projects are; you would have to ask the water minister for that. You have the capital program of SA Water; you have the much smaller capital program, obviously, of the Forestry Corp, which would be a pretty small capital program. There would be a little bit with Lotteries; and LMC, of course, would have a bit. That is what makes it that, and the bulk of that is SA Water—and I should say the Housing Trust.

Mr HAMILTON-SMITH: TransAdelaide.

The Hon. K.O. FOLEY: TransAdelaide—yes, we transferred the capital over to DTEI.

Mr HAMILTON-SMITH: So, the borrowings linked to the electrification of rail and trams, etc. will be reflected there.

The Hon. K.O. FOLEY: Yes; that will be DTEI's budget.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, page 2.23—the super schools PPPs. Could you explain to the committee how you intend to reflect those debts on the balance sheet and when? Will it be, as for the railyards hospital, fully reflected? By the way, where is this reflected in the budget? That would also be of interest.

The Hon. K.O. FOLEY: What happens in the schools (which, I assume, also happened with the police stations) is that we will acknowledge the debt in our general government sector debt numbers at the point that we take the keys over. So, we recognise it and we start paying from when we get the keys—on the balance sheet.

In terms of our operating account, the payment that we make to the consortia (the operating payment) appears in our operating account balance when we start making those payments. The operating account is a factor of the payment we have to make to them for them to get a cost of capital return and all the service provisions and the returns. So, it is all fully accounted. We have it in our forward estimates of our debt profile as well as, I assume, our operating account.

Mr GRIFFITHS: Referring back to GST revenues to the state, I note that on page 3.17 of Budget Paper 3 that South Australia received a supplementary payment of \$34.2 million in 2008-09, to bring it up to the guarantee for GST income. When, indeed, does that agreement for the guaranteed payment to be received terminate?

The Hon. K.O. FOLEY: This is the last year, I am told, they will let us have that guarantee in play. By definition, the \$34 million is \$34 million less than what we would have got under the old system. I guess you could pick a time in a time series. I think it is a given amongst the states now that probably if we went back to the day the GST was brought in (and, admittedly, we have had some pretty strong years) and we had to smooth it out a bit, we are probably not ahead of ourselves.

All I am saying is that, whilst GST has been a useful income stream, it is not the gold bonanza that people talk about. It is largely in line with what we would have got under the old system, bearing in mind, I suppose, that one thing you could say is that we are assuming that the commonwealth government would have kept giving us what it was giving us and it would not have made adjustments. I do not think you can actually make that assumption—but we do that to suit our argument. The GST gets back to vertical fiscal imbalance. GST does not give us, as you liked to call it previously, the rivers of gold or the great growth tax that makes our job all that much easier.

Mr HAMILTON-SMITH: I refer to Budget Paper 5, page 17, the office accommodation fitout at 77 and 101 Grenfell Street. The mid year budget included comments along the lines that revised service delivery arrangements will mean Shared Services SA will no longer require accommodation at 77 Grenfell Street. The office accommodation can now be made available to other government agencies. Could you advise what has happened to those two buildings?

The Hon. K.O. FOLEY: Initially, Shared Services were going to take up that accommodation but, in the end, a decision was taken that Shared Services would undertake a different option. There was a need for the transport department to move to a new building and—bang! It has been a good fit. We are selling Walkerville as part of our asset sales program.

Mr HAMILTON-SMITH: I refer to Budget Paper 4, Volume 1, page 3.5, the second 2008-09 highlight from the bottom. Which office building do the 586 FTE's transitioned under tranche 1 to Shared Services now occupy?

The Hon. K.O. FOLEY: My advice is that it is split between Westpac House and Wakefield House.

Mr HAMILTON-SMITH: How many of those people are from regional South Australia who have been transferred already; and how many more will be transferred from regional South Australia when the program is complete?

Departmental Adviser:

Mr D. Bourke, Executive Director, Shared Services SA.

The Hon. K.O. FOLEY: Six, I am advised, is the answer to the first question. In answer to the second, we haven't finalised that scope. I should introduce the executive director, Damian Bourke of Shared Services, who has come to us. We are very lucky to have secured his services. He was previously with Capgemini and oversaw a lot of the BHP shared services work, and we are fortunate to have his skills.

Mr GRIFFITHS: As an extension of that, my understanding is that the term that minister Wright used when talking about regional people was 'in scope', and he quoted 253 full-time equivalents for regional areas.

The Hon. K.O. FOLEY: In scope, we thought there could be as many as 250. I am advised that, in fact, we have identified 59 in tranche 1. In terms of tranche 2, we have not finalised that work as yet and we do not have a number at this stage, but I think a lot of the earlier concerns were sorted through in individual negotiations.

Mr GRIFFITHS: So if 59 were identified in tranche 1 and only six have actually relocated, what is happening to those people?

The Hon. K.O. FOLEY: They are FTEs, so some of these were part-time positions, but they have been found other work and some are on maternity leave. There are only eight potential

redeployees out of that whole exercise and six are currently on maternity leave, so it has worked out pretty well.

Mr GRIFFITHS: From a regional member point of view, I am actually pleased with how that has turned out but, for the people whose positions have been taken because the position itself is now located centrally, they are retained within their existing department and funded in a different role within the department's allocation?

The Hon. K.O. FOLEY: You have answered the question yourself.

Mr HAMILTON-SMITH: Budget Paper 3, page A.21 talks about Loan Council arrangements. I note that it says at the bottom of the page that South Australia is likely to exceed the LCA nomination tolerance limit of \$289 million. Could you explain how our interactions with the Loan Council are working at present and what the consequences of that statement are?

The Hon. K.O. FOLEY: All states, I guess, are blowing their tolerances and that is, again, a factor of the global financial crisis and the fact that we have had such a rapid decrease in revenue. But that has happened and the Loan Council will deal with that at the next treasurers' conference. At this stage, it has no material impact because the commonwealth is not uncomfortable with this situation and has not raised with the states any particular issue about that.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, page 1.11: Contingency Funding. The second line from the bottom of table 1.6 states, 'Use of provisions set aside in the 2008-09 Budget and the 2008-09 MYBR.' Is this the contingency funding that is found on page 3.35 of Budget Paper 4, Volume 1?

The Hon. K.O. FOLEY: The same number?

Mr HAMILTON-SMITH: Yes.

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

Mr HAMILTON-SMITH: If so, the '08-09 figure underspent contingency funding. Could you explain to the committee why that was?

The Hon. K.O. FOLEY: We will get that checked for you and answer it. I was a little bit too flippant then. We had a couple of contingencies. We have the general contingency for wages and some unspent capital and goods and services. We also have a contingency line in the budget papers for what we expected would be commitments that would come out of COAG meetings. If there is an underspent line, my guess is that it is the COAG contingency, where we came a little under what we had provisioned. We knew through COAG that there was going to be a whole lot of initiatives that we would have to commit to, so we made sure that we had early provisions for that. We will get that answered for you and come back to you at a later date.

Mr HAMILTON-SMITH: Still on contingencies, I refer to Budget Paper 3, page 2.33, and Budget Paper 4, Volume 1, page 3.35. I am looking at the enterprise agreements that are yet to be finalised for teachers and other groups listed in this round. Are the wage rises for these groups contained in the government's contingency provisions on page 3.35 of Budget Paper 4, Volume 1, or in employee expenses on page 1.7 of Budget Paper 3?

The Hon. K.O. FOLEY: If the wage rise has not been paid it would be in the contingencies because we have not paid it. It would not be an expense item until such time as we started paying it. We have been upfront about our presentation of contingency for wages. We have been upfront and said that we hide it amongst other lines in the contingency lines. I am letting you into a secret.

Mr HAMILTON-SMITH: What time lines are you working to for a resolution of that contingency?

The Hon. K.O. FOLEY: For the teachers?

Mr HAMILTON-SMITH: For the teachers.

The Hon. K.O. FOLEY: We are in the hands of the commission, but we have made an offer to the teachers, which, given that the offer was made prior to the global financial crisis, the generous nature of that offer, which we obviously would not go back on—it has been a good faith offer and is now with the commission—looks pretty good. Ultimately, that is for the teachers to either accept or the commission to arbitrate. We just cannot afford any more, and, honestly, had there been a later EB we would not have been able to offer as much as we have. I hope they will respect the value of that EB offer from the government and accept it, because they are not going to get any more unless the commission directs us.

Mr GRIFFITHS: To clarify, when a determination is made by the Industrial Relations Commission, that payment is backdated to when the previous agreement terminated. Is that correct?

The Hon. K.O. FOLEY: I think we have had an interim payment, which will have been recognised at 3.75. If there is any difference, or the difference between the 3.75 interim payment and what we have to pay, we will backdate it to the beginning of the EB negotiation, I assume.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, pages 2.4 and 2.5: Government Asset Sales. Can you tell the committee how much revenue selling Forestry SA's harvests will generate annually?

The Hon. K.O. FOLEY: I think we have been a bit ambiguous with that number for obvious reasons: we do not want a flag to the market what we think we will get for it or what we expect is a fair price.

Mr HAMILTON-SMITH: You cannot indicate a ballpark figure?

The Hon. K.O. FOLEY: No.

Mr HAMILTON-SMITH: Okay. In which year do you think the revenue will be generated from that asset sale, and how long will it last?

The Hon. K.O. FOLEY: It will last in perpetuity. You will reduce your debt by the amount of the net proceeds of the sale and, assuming all things being equal, you will have that saving into perpetuity. We are just working through when the time lines will be for when we go to market on that, but it will not be for another year. We are doing some detailed scoping work at present. It is probably not the best time to go to market, either, right now.

Mr HAMILTON-SMITH: I notice in Budget Paper 3, page C.6, an increase in Forestry SA dividends paid to the Consolidated Account from 12.4 to 19.3 million. Could you advise the committee of the reason for that?

The Hon. K.O. FOLEY: I do not know whether that is a product of any new arrangements with the business model for the dividend requirement. My advice is that it is a function of the market. They have had a good year, good sales, better than anticipated in terms of providing the building market.

Mr HAMILTON-SMITH: Still on the same subject of asset sales, I refer to Budget Paper 3, page C.9. It talks about repayment of equity capital contributions, sale of land and buildings. Is this where you have placed revenue from the sale of government buildings announced in the Mid-Year Budget Review? What quantum do you expect to receive from those sales?

The Hon. K.O. FOLEY: We are not expecting those receipts until post 2009-10. So, we are not sure which year each of these assets will be placed into the market. Those numbers there, I assume, would relate to sundry property sales during the course of any given year by agencies.

Mr HAMILTON-SMITH: Do you have a figure that you expect to raise from asset sales?

The Hon. K.O. FOLEY: I am not going to tell you.

Mr HAMILTON-SMITH: Budget Paper 3, page 2.5, in the middle of the page, talks of government employee housing disposals commencing in 2008-09. Can you advise the committee of how many houses have been sold to date and what the total value raised from those sales is?

The Hon. K.O. FOLEY: We will come back to you on that.

Mr HAMILTON-SMITH: Can you advise the committee of how many houses are due to be sold?

The Hon. K.O. FOLEY: I think we gave a number in the Mid-Year Review. It is difficult for us to put a number out here because, again, it will be a function of the appetite of the market, the appropriateness for that house to be put on the market, but, from memory, we had about 2,500 houses in government and we have probably identified a few hundred—no, there is no number, but we are not talking the whole portfolio, we are talking a smaller proportion of it. We are scoping that work out now.

Mr HAMILTON-SMITH: What categories do those houses fall within? Are they social housing, are they—

The Hon. K.O. FOLEY: They will be employee housing. They will not be social housing, as such, that is handled through the Housing Trust, it will be government-owned employee housing, which might be in the country for teachers, nurses, doctors and other government public servants.

What we would look at doing is where the case stacks up we would sell tranches of these properties to the market and we would give the public servant the appropriate allowance to rent a property. He or she may choose to rent back the property they are in or they may choose to rent something else in the town, or we may choose to sell it with a rental guarantee.

As Gary said, all of our agencies get a supplement for subsidising rent that public servants have in the country. We are not changing that arrangement, we are simply transferring the ownership of the asset from government control to market control.

Mr HAMILTON-SMITH: Are all of these houses in the country?

The Hon. K.O. FOLEY: I think so. It depends what you define as country, I guess. Perhaps there might be some in outer suburban areas.

Mr GRIFFITHS: As an extension of that, what occurs when a subsidy is available but there are no rental properties available on the open market? How is a government employee meant to be housed within the community in which they work?

The Hon. K.O. FOLEY: I guess they will be able to rent the one that they are currently in, and we may make arrangements. The point Gary makes is that right now a large number of people who get the subsidy, or could have it, get it and use it in the private market. If they get the subsidy from government then they are directed into the house that the government is subsidising. Most people choose to go to the private market and deal with it there—choose not to have the restricted offering of a government house. No public servant need be concerned about this, their living arrangements will not change, it is just a matter of who owns the property.

Mr GRIFFITHS: Is the subsidy a fixed dollar amount or is it a percentage of the market rate?

The Hon. K.O. FOLEY: Each agency will have different arrangements.

Mr HAMILTON-SMITH: Moving to the Housing Trust, Budget Paper 3, page 3.15. It states:

There is no net benefit to the budget from these tax payments since additional funding is provided to the [Housing Trust] to meet its land tax liability.

Could you explain to the committee whether South Australia is the only jurisdiction where public housing authorities pay land tax, or is this common to other states?

The Hon. K.O. FOLEY: We may be the only state, but we take our obligations for transparency very seriously. It is a circular argument: we charge them land tax, they pay it to us and we give it back to them. We give them a CSO. So, it is a transparency issue. If they did not have to pay it they would keep it and we would not have to pay it to them. It is circular: our transparency statements and our transparency approach to our CSO obligations, which have been revised in our ownership framework, and this beautiful phrase of 'competitive neutrality'. We go for a very open and transparent process.

Mr HAMILTON-SMITH: What is the administrative cost of that transparency process?

The Hon. K.O. FOLEY: It is a book entry, I assume, is it not? I mean, they must work out what their value is, what the bill is that they owe us, and then press a button on a computer. I would not think that it was a particularly onerous task.

Mr GRIFFITHS: I refer to the desal plant and the announcement of an increase to 100 gigalitres. What is the time frame in place for the completion of capacity to 50 gigalitres? Is it automatic commencement to 100 gigalitres?

The Hon. K.O. FOLEY: You are jumping all over the place, making them up on the run. Look, you would have to ask the water minister. I know that work has commenced or is just about to commence. We have paid for the land. The first water will be available by December 2010. One of the senior partners from Adelaide Aqua, the consortium building it, saw me today. It's all systems go. In relation to the process in terms of how much comes in, I refer you to the Minister for Water Security.

Mr GRIFFITHS: Were you involved in the negotiations for the \$18 million purchase price of that land?

The Hon. K.O. FOLEY: Me personally, no.

Mr GRIFFITHS: Not at all.

The Hon. K.O. FOLEY: Why would I be involved? Me as Kevin Foley or the Department of Treasury and Finance?

The Hon. K.O. FOLEY: The Department of Treasury and Finance.

The Hon. K.O. FOLEY: It would have been done by SA Water. They are the experts in this area. I would not know how to value it.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, page 3.12, land tax. With the introduction of the land tax avoidance measures—I am sure the problem has been brought before the Treasurer—from July 2008 a principal place of residence held under company or trust with the owner holding an interest of less than 5 per cent is liable for land tax.

This type of ownership structure is commonly used by doctors and other professionals against whom the potential for legal action is high and the loss of assets quite possible. It is a situation where, in effect, the home is the place of residence, but the structure is there to protect the occupant. Is this an unintended consequence of the land tax avoidance legislation, and does the government have any plan to deal with it?

The Hon. K.O. FOLEY: No, we don't. We had a long, in-depth discussion about this point earlier. The expected revenue was \$5 million and we found that the incidence of tax avoidance—legitimate as it was at that time—was as high as \$19 million. This matter has been raised with me by a number of people. I have said to people that I think it is a nonsensical argument.

The tax act or tax system is not and should not be devised to assist one coterie of the workforce. It is not the responsibility of the tax act or the state government to protect the assets of an individual, if that individual is concerned about loss of their home or assets through litigation, be it unfortunate or accidental litigation, whatever it might be. The persons involved have to sort it out themselves.

It would be peculiar legislation if we put in a special category, because doctors or business people may suffer a higher propensity to be sued for negligence or go bankrupt. It would be a shoddy piece of law if we tried to structure it around those incidents. If doctors or business people or others are worried about losing their assets and choose not to have those assets in their name, they should put them in their spouse's name and deal with the consequences. There are other ways in which people are entitled to structure their affairs, but state law should not be built around assisting a particular type of person or profession because it would open it up to abuse.

Mr GRIFFITHS: I refer to Budget Paper 4, Volume 1, page 3.35, the cash flow statement. I note in the 'contingency provisions—employee entitlements' that the budget for 2008-09 was some \$69.8 million and the estimated result is \$210.3 million. What are the reasons for that significant increase in contingencies?

The Hon. K.O. FOLEY: There were unintended consequences on wage outcomes. The IR commission made an unexpected decision on work case value for ambulance drivers (which was a payment) and we ended up having to pay more for salaried medical officers by a fair margin—by a considerable amount.

Mr GRIFFITHS: In the Mid-Year Budget Review you said that the contingency for possible future projects is reduced, saving \$150 million by 2011-12. I am rather intrigued that contingencies have gone up significantly—\$130 million in this year's budget compared with previous years. Is there still an intention to keep contingencies to a lower figure by 2011-12?

The Hon. K.O. FOLEY: That number is boosted in 2009-10 by the full provisioning of TVSPs. We put in a provisioning; it is a one year impact. We have provisioned for 1,200, so \$90 million or something.

Mr GRIFFITHS: At the \$72,000 average that is included in that cost.

The Hon. K.O. FOLEY: Yes.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, page 7.9. How will the government deal with the issue of the unfunded liability linked to WorkCover, which has gone to \$1.3 billion and

\$400 million for the government's own scheme? What do you envisage happening to the unfunded liability over the coming years?

The Hon. K.O. FOLEY: Having fought through the parliament to get a structural change to the legislation, already we are seeing a positive effect in that the corporation, from memory, had an increase in its profitability. I do not know whether it is an end of year profitability or a quarterly profitability number, but it was a sizable improvement in its trading position. That means that, in terms of cash in cash out, it has improved its position.

Its unfunded liability is an accrued liability and, like everything else, it has impacted on share earnings, property performance and its general portfolio of assets, and the big killer has been what is called the discount rate. We do not use what I would call a historical or a trend earnings rate; we adopt what is called the risk-free discount rate. We use a 10 year bond rate (and I think it does the same) and that has gone as low as 4.2 per cent.

Whilst the portfolio over its inception might have averaged an annual return rate of 7½ per cent, when we went to the risk-free discount rate that put another layer of liability on top of it. However, it was a prudent thing to do, and now that the discount rate has plummeted the unfunded liability has gone up.

Once the world gets back to normality and the discount rate goes back up to reflect a more reasonable earnings rate, that will close the gap reasonably quickly, to an extent, and once the earning performance of the fund gets above trend, that will help it—or any improved contribution, but it would have to get up above its trend rate to start to fill in the hole that was left—and, of course, increased profitability, which we are starting to see from the performance, will go into the asset base of the corporation and some of that long-tail liability that will be worked through fairly quickly with the two year reviews, and so on. I hope all of that, in the next two or three years, will see a vastly improved financial position for the corporation. I can see no reason why that would not occur.

Mr HAMILTON-SMITH: Is the government in a position to judge when it might be able to deliver on its promise to get the levy rates for small business down to the range of 2.25 to 2.75 per cent?

The Hon. K.O. FOLEY: Ultimately, that decision is for the board. As you know, the government has no power to intervene there, unless it wants to openly direct the board. The board will have to make that assessment on its actuarial advice. I guess the difficulty the board has is that the actuarial advice is that the unfunded liability has gone higher due to factors beyond its control, which I have just mentioned. My guess is that, if they look at the trading profitability of the organisation, they will make that decision. However, that is up to them.

Mr HAMILTON-SMITH: I now want to move to credit ratings, and I refer to Budget Paper 3, page 1.1. The figure that is being put about with respect to the impact on the state of the loss of its AAA rating is that it would cost government an extra \$50 million in interest per annum.

The Hon. K.O. FOLEY: No, that was a figure that the shadow finance minister put out, which was wrong. I do not know where he got that number from.

Mr HAMILTON-SMITH: Can the Treasurer advise the committee, if the AAA rating was lost in the current financial circumstances, how much extra it would cost the government?

The Hon. K.O. FOLEY: Where did you get the \$50 million from?

Mr GRIFFITHS: I will provide my version of the information. The New South Wales mini-budget, which was presented a few months ago, identified that the loss of a AAA rating would cost between 20 and 25 basis points. Therefore, the calculation was undertaken on what the loan liability would be, as you have projected it as being, multiplied by that factor.

The Hon. K.O. FOLEY: I do not know how good your maths is. My advice is that it is \$6 million to \$7 million across that portfolio. It depends on what the spread is and what it means to the non-financial sector as well as the government sector. My advice is that it might be \$6 million or \$7 million; it is not a huge number. I do not know how the member calculated the \$50 million. It is nothing like that at all.

I have said publicly (I think the member asked me this question in parliament) on a number of occasions the reason why the AAA rating is so vitally important. There is about eight basis points difference between Tasmania and us: it is AA+. Again, we are in a pretty crazy market right now. I have always said that a AAA credit rating has real material savings to the budget, because we have such low debt. If we had more debt there would be more savings.

It is a clear indication to the financial markets and the investment community that we are managed to the highest possible benchmark. When you see states such as California that are about to be of basically junk-bond status, and other states in America that are appallingly administered, it is a pretty impressive thing to say that you are a AAA credit rated state.

To me, having done this job for so long, it is a bloody good discipline on government. It is an incredibly fierce counterweight to the enormous continual build-up of pressure to spend more money to meet the screaming demands that are often out there that we are not able to meet. Provided we are focused, committed and determined to keep our AAA credit rating and maintain a strong and healthy set of finances so we do not pass on to future generations an absolute nightmare scenario, the AAA is about as good a discipline as you will get.

If we had delivered our first cut of the budget as the numbers just simply fell out (and there was a lot of temptation to do that), we could have seen a state debt in, I think, 2020 (or maybe a bit further out) of something like \$18 billion. That would have been a horrible legacy, and we have no intention of doing that. That is why we put corrective action in place.

[Sitting suspended from 18:30 to 19:30]

Departmental Advisers:

Mr J. O'Flaherty, General Manager, Super SA.

Mr D. Prior, Director, Superannuation, Super SA.

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

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

The CHAIR: We have a budget line open. According to the timetable, we move to Super SA, SAFA and SAAMC. Treasurer, do you have any statement to make?

The Hon. K.O. FOLEY: No.

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

Mr HAMILTON-SMITH: No, thank you.

The CHAIR: Please proceed.

Mr HAMILTON-SMITH: In regard to Super SA, at Budget Paper 4, Volume 1, page 3.13, what are the average management fees charged per annum to a Triple S superannuation scheme account, and how does this compare to other private sector funds?

The Hon. K.O. FOLEY: I do not know the answer but I will ask John O'Flaherty, the General Manager of Super SA, to give me an answer. We will get the exact details for the member in a reply, but it is consistent with that of the private sector funds.

Mr HAMILTON-SMITH: In relation to the same reference, in 2008-09 how many public sector employees were salary sacrificing into their superannuation accounts?

The Hon. K.O. FOLEY: We will get that number, if we may.

Mr HAMILTON-SMITH: Could you include how it compares with previous years?

The Hon. K.O. FOLEY: I am happy to give you a bit of a spread.

Mr HAMILTON-SMITH: Although the unfunded liability has increased enormously, I gather the government is on track to meet the previously arranged schedule of fully funding the scheme. Is the government confident that it will be able to remain on track?

The Hon. K.O. FOLEY: On coming into government, we adopted the 40-year payback program that treasurer Baker put in place, and 2034 is the target. We win when the markets are above our average rate of earnings, and we have to dip into the pot when we go under. Again, the unfunded liability is a factor of earnings. Earnings decline, and are a factor of this horrible little thing called the discount rate that we have to continually use as a guide to what our unfunded liability is.

I think we are one of the first states, if not the first, to agree to an international accounting standard that brought in the use of the risk-free discount rate for valuing unfunded liabilities.

Clearly, I had no idea what I was agreeing to at the time. In fairness to my advisers, none of us foresaw this, but it is something that we are not particularly happy with. We use the market rate at any given time when we have to make a judgment on what our unfunded liability is. I am not saying what we did was wrong and what the international standard is now is wrong, but we have now had a few years of experience with it and it is a volatile methodology for valuing what your unfunded liabilities are; but we are stuck with it.

The interesting thing to note, certainly from Standard & Poor's point of view, and I am not for one moment going to pull to pieces their methodology for rating states, is that there is at least an acceptance that your true position in terms of your unfunded liability is not necessarily reflected by what the current discounted rate may be—and that can happen the other way as well, I guess, although we have not been in such a high inflation environment. But it is a bugger of a measure in terms of your unfunded liability.

Mr GRIFFITHS: We spoke about the transition to retirement prior to the meal adjournment and about its availability for the public sector.

The Hon. K.O. FOLEY: Did we?

Mr GRIFFITHS: I mentioned it briefly in one of my questions. How many people have accessed that option of transition to retirement?

The Hon. K.O. FOLEY: My advice is that it has been very small—I guess for obvious reasons—in the defined benefits scheme, literally a handful, and a number close to the 200 figure in the defined contributions scheme or the accumulation scheme, which is still a small proportion.

Mr GRIFFITHS: Treasurer, I know it is impossible to give the end of year result because we have not reached that period yet but, for those people who are actually part of the accumulation scheme within Triple S, can you provide an indication of the performance of the investment options across 2008-09?

The Hon. K.O. FOLEY: Your present circumstances excluded? I do not want to give out unit prices, but the figures published on our website as of two days ago—and I am not sure you will want to hear this, although I guess you are not going to retire early—were minus 16.71 for the balanced fund, minus 19.05 for the growth fund, minus 22.05 for high growth, and minus 11.86 for moderate. The figure for socially responsible is plus 7.68 per cent, which is an interesting number, but we have had it only from the beginning March—I did this because I felt some pressure to give people that opportunity—and that was after most of the losses had occurred. Cash is 5.57. However, in terms of the benchmark, or the Mercer index or whatever, my guess is that it is around the mark of what is happening out there. It is just horrible stuff.

Mr GRIFFITHS: I refer to Budget Paper 3, page 7.9, and note that it reports that Fleet SA was a risk to the budget in previous years. Fleet SA has now been transferred from the Department of Treasury and Finance, in the general government sector, to SAFA, in the public financial corporations sector. How does this mitigate the risk?

The Hon. K.O. FOLEY: I think it is better managed under SAFA. SAFA has built up a skills set over many years of managing government projects and programs that have not so much complex financial arrangements, but ones that are outside the norm of what government agencies usually deal with. I took the view on advice—and on good advice—that I thought SAFA was a better entity to manage the government's financing of its fleet. The proof will be in the pudding as to whether or not it is a better manager of the asset, but I have confidence that SAFA is better placed to manage this risk.

Mr GRIFFITHS: Has there been any effect on the net operating deficit as a result of that change?

The Hon. K.O. FOLEY: It is happening 1 July, so ask me in a year's time, if I am in this position. If not, I will be asking you.

Mr GRIFFITHS: Do you have any forward projections regarding the impact in future years? Have you done any projections on whether there will, in fact, be an impact in future years?

The Hon. K.O. FOLEY: I would not have thought so. The advice to me at the time would not have been as bold to suggest what we might do over any length of time. However, the government car fleet is a series of financial arrangements between the people we get the cars from, the people who take the cars, and agencies. It is that sort of complicated financial business that is better placed with an entity such as SAFA, that has the skills set to manage it.

Mr GRIFFITHS: I note on page 7.10 of the same budget paper that, in about the middle of that page, it refers to public corporations being guaranteed by the Treasurer. Therefore, is it not still a risk underwritten by the taxpayer if something does go wrong?

The Hon. K.O. FOLEY: Absolutely.

Mr GRIFFITHS: It is interesting that if there were a major problem with another government department—be it any of those—you would not privatise that, but it seems you have done this with the vehicles.

The Hon. K.O. FOLEY: Do not fall into the same trap as your leader of misrepresenting what has occurred. There has been no privatisation; SAFA is a fully-owned government enterprise. It is the government's financing authority and it has a skills set in financing things. It seems an eminently appropriate place to put a bunch of cars that are financed—and it is accountable to me as Treasurer.

Mr GRIFFITHS: Can you advise the current value of investments under management, as part of SAFA?

The Hon. K.O. FOLEY: We are off cars now, are we?

Mr GRIFFITHS: Yes.

The Hon. K.O. FOLEY: Do you have a car through the parliament?

Mr GRIFFITHS: I do.

The Hon. K.O. FOLEY: Well, that will be financed and managed by SAFA from 1 July. Are you comfortable with that?

Mr GRIFFITHS: The last question was a completely different issue.

The Hon. K.O. FOLEY: No; I just remember that what we as politicians get as a benefit is what public servants get as a tool of trade.

I would like to qualify that: the general manager says that he funds me—I wish he did. He funds the Treasurer or Treasury for our requirements in terms of the debt and funding requirements that we have. We fund SA Water completely now. Sorry, it is the management of the debt. My apologies; you are right. Under the previous government obviously SAFA had to borrow the money but the management of that debt was Macquarie, I think, from memory. Then we said, no, we wanted to go 50/50, and now we mandate that. I am a strong believer that if you have a financing authority they should be the people you have confidence in to manage all of these debt instruments. SA Water took a commercial decision to do what I wanted them to do.

We have insurance and, of course, SAFA is now responsible for the government captive insurance corporations, with \$250 million of assets. It is all on its 30 June balance sheet. It holds investments for liquidity purposes. But SAFA has been hit like everyone else. However, I have been very pleased that, through Kevin's management (and the board of SAFA, I should acknowledge) to date we have not had need to avail ourselves of the commonwealth guarantee. I have had the experience and the opportunity to travel overseas with both the general manager of SAFA and the Under Treasurer looking at financing and debt markets. I do not begin to say that I am an expert in what these guys do but they do it very well. Kevin Cantley has run a very good business in SAFA so far.

Mr HAMILTON-SMITH: SA Management Corporation.

The Hon. K.O. FOLEY: Andrew Anastasiades is the Chief Executive Officer of the South Australian Asset Management Corporation, commonly referred to as the 'bad bank'. I have offered Andrew's services to President Clinton, should he need an expert in a bad bank. Did I say 'Clinton'? I meant President Obama; Freudian slip. Andrew has been with the bad bank the whole way through. I should put on the public record that we are very lucky in South Australia that people like Andrew, along with others, very diligently managed a pile of pretty ordinary assets some 15 or 16 years ago and have managed to work these assets out.

The work of the South Australian Asset Management Corporation (done by many people over many years—Brett Rowse, of course, has been on the board and Andrew has been there all the way through; others are involved but I do not want to necessarily single people out) means that, in historical dollars, they have recovered \$2.7 billion. That is in historical dollars. In today's dollars and in more layman's terms, I guess, with the opportunity cost and all of the interest payments it is

a different figure altogether. However, in historical dollars the bank collapse hit the state for about \$3.15 billion, from memory.

In historical dollars it has been a very significant achievement; that through a 15-year workout program, under both governments (I am certainly not singling this government out for any particular attention on this) and through the course of the dying days of the Arnold government, the Brown/Olsen government and the Rann/Foley government in recent years, in the past seven years we have seen \$2.9 billion recovered from those assets that were the leftovers of that horrible period in the late eighties, early nineties. I want to put that on the record, Andrew: to you and your team, thank you very much on behalf of all South Australians—and they have done it without any public recognition for that.

Mr GRIFFITHS: Well said, Treasurer. I refer to Budget Paper 3, page C.8 and also page 6.6. I am rather intrigued that under the title 'Repayment of equity capital contributions' there is a sum of \$52 million to the SA Asset Management Corporation. Can you explain what that is, please?

The Hon. K.O. FOLEY: That was a provision that SAAMC (the Asset Management Corporation) made. There was a put option on the old SA Water building—believe it not, all these years later it was still hanging there—that if they were not able to sell it at a certain price they could put it back to the Asset Management Corporation. Through the Asset Management Corporation's very conservative provisioning it put money aside for it. The put option was never put because they were able to sell it into a market at a higher price and could then repatriate that capital back to consolidated account.

Mr GRIFFITHS: Again, I refer to Budget Paper 3, page C.8 and the comment:

Estimated distributions from SA Asset Management Corporation 2009-10 are significantly higher than in other years. This represents the return of accumulated retained profits that are no longer required by the Asset Management Corporation.

Treasurer, why are the distributions significantly higher and why are retained profits no longer required by the Asset Management Corporation?

The Hon. K.O. FOLEY: Ultimately, with all due respect, we want to wind this entity up. I do not know what assets it has left. We have taken retained profits back onto the bottom line. Under the old cash accounting system you could have played merry hell with these distributions. We made sure we had that capital (the \$52 million) to buy that building.

Basically, the retained earnings and capital that you have in SAAMC is \$73 million. It's about the end of the line, as Andrew just pointed out to me. I just asked the question offline then: when will we be in a position to wind up the bad bank? We won't be doing that for some time because we have some outstanding litigation. Thankfully, it is us litigating against other people to recover.

On advice, I will not mention specific instances here, although I am extremely tempted to, but there are some failed corporations from the late eighties where the receivers, I assume, have residual assets in their accounts where the tax office has said they cannot distribute those remaining assets until such time as the tax office gets its share of what it is entitled to get. There are some sizeable chunks of money in there for us.

Mr GRIFFITHS: Going back 20 years?

The Hon. K.O. FOLEY: Well, going back 15 years, I guess. I will not mention the figures, but I am going to mention the names because my personality could not prohibit me from doing it anyway. Apparently, from the old Adelaide Steamship days (the former John Spalvins business) there is still a sizeable amount of assets held by the residual company. It cannot distribute those assets to the creditors until such time as the taxation office determines what its share of that residual money is. Once that is done—and we will be fairly high up the order of residual creditors because we were the bank—we could get a reasonable return.

The other one is Equiticorp, which was the New Zealand entity that Marcus Clark got into in a big way. Students of history will recall that it was a dark day when, from memory—Andrew is far more conservative and polite than I am—Tim Marcus Clark, the crook that he was, was able to shovel money out to one of his mates over in New Zealand, but there is a sizeable amount of money that the state could collect. It is held by the liquidator waiting on final direction from the taxation office and we stand to do there.

The bottom line is that in historical dollars, once we clean up the old Adsteam and the old Equiticorp, we will get a sizeable return. When I say 'sizeable', it is nowhere near the debt that we had but, in historical dollars, the work-out by the South Australian Asset Management Corporation will have returned roughly what was lost. We hope to have all these legal matters dealt with by 2012: that is our guesstimate.

Mr GRIFFITHS: That was going to be my next question. Indeed, will the taxation office have made its decision then?

The Hon. K.O. FOLEY: Tax office? Crikey! It is being litigated by other creditors, so you have the residual entity of Adsteam, and I assume it is the same with Equiticorp? Let's get this right: with Adsteam (the former John Spalvins entity or the subsequent entity) there is litigation between creditors and the residual vehicle and the tax office standing together, but given that we were a lender, we are quite high up the order. The tax office is number one. I assume the tax office is fighting the litigation? We are not contributing to that, are we? No. The tax office is fighting it and once that gets determined, then it will be distributed if there is anything left after the tax office has its share. In the case of Equiticorp, I am advised that it is purely a matter of the tax office determining what is its fair share of the pie. So, we will get somewhere between zero and quite a bit.

Departmental Adviser:

Mr Jason Allen, Chief Executive, Motor Sport Board.

Mr HAMILTON-SMITH: In relation to the Motor Sport Board, I refer to Budget Paper 3, page 6.6. Can the Treasurer update the committee on plans the government has to leave the demountable pit pavilion or any other Clipsal grandstand up at non-Clipsal times of the year, for example, during the Tour Down Under?

The Hon. K.O. FOLEY: No; I am a believer in the need to ensure that the parklands are there for the people of Adelaide, to walk their dogs, to run, to simply bring a nice, beautiful blanket out and have a picnic. The less time we have those structures up the better.

Mr HAMILTON-SMITH: So, the government has no plans to leave them up for the Tour?

The Hon. K.O. FOLEY: No; we believe in the Clipsal having possession for as long as it needs, and the rest of the time it is an asset for the people of Adelaide.

Mr HAMILTON-SMITH: The final report of the Public Works Committee indicates that the government provided the board with \$20 million to undertake capital works for the Clipsal. Has that budget been exceeded, and, if so, by how much?

The Hon. K.O. FOLEY: I should introduce Jason Allen, who is the new Chief Executive Officer of the Motor Sport Board, replacing Andrew Daniels, who now runs the Motor Accident Commission. Jason has advised me that we are on budget.

Mr HAMILTON-SMITH: Payments to the Motor Sport Board in the budget reflect a drop from \$14.9 million in '08-09 to \$2.8 million in '09-10. Can you explain that?

The Hon. K.O. FOLEY: In terms of what—profit?

Mr HAMILTON-SMITH: Payments to the board in the budget.

The Hon. K.O. FOLEY: I would have to get that checked. I guess it is a part payment for the capital, because 2.9 would be the government contribution to the board's operations. But, I have to say—and we again need to be mindful of the impact of the global financial crisis—that sponsorship and corporate support for the Clipsal will be pretty tough in the next few years. So, we are probably going to have to put more in Clipsal than we have in previous years in recognition of that.

Mr HAMILTON-SMITH: What was the cost of setting up and deconstructing the event, in particular, the assembly and dismantling of the demountable pit pavilion in '09?

The Hon. K.O. FOLEY: It is somewhere between \$700,000 and \$1 million for transportation and setup and pull down costs. That is a cost that the government is prepared to accept to ensure that the beauty, openness and the amenity that is the Victoria Park Racecourse is kept open for the people of Adelaide. Whilst I accept that the Liberal Party have a differing view, that they would want to leave this grandstand up all year long, we have the view that the people of

Adelaide should have the right and the ability to have unfettered access to every square inch of that beautiful park that is Victoria Park.

Mr HAMILTON-SMITH: What government funded overseas travel occurred in '08-09 in relation to the Motor Sport Board, and what was the cost and where was it to?

The Hon. K.O. FOLEY: We will come back with that, but I guess the board would have some overseas travel involved. I think we have seen a few of our people overseas for various functions. I think the CEO of the board would go overseas to look at innovations in car racing and also to attract and identify potential bands, and so on, for our concerts. I am happy to come back to the house with that. Jason has not had one yet, so whatever I come back with will have been Andrew Daniels' trips.

Mr HAMILTON-SMITH: What will be the date of next year's race? Can you inform the committee of when the stands will commence being set up and by which date they will be pulled down?

The Hon. K.O. FOLEY: We are not in a position to confirm the date of the race. We are in negotiations. We have put forward some dates. We are largely constrained by the Grand Prix in Melbourne and the fact that we like to have the Clipsal as the opening event. The FIA makes these calls. We would assume that the construction of these temporary grandstands, which are there only for such a brief period to ensure the amenity is available to all of those who live in and around the beautiful Victoria Park, will begin in December some time. We promise to bring these wretched things down as soon as we can so that the beautiful amenity is returned.

Mr HAMILTON-SMITH: How much will be provided to the Motor Sport Board by the taxpayer in '09-10 for capital works and for other purposes?

The Hon. K.O. FOLEY: I am advised that they are still working through next year's budget. I do make a point—and I will make it upfront so that we are all aware—that, ever since John Olsen—and I mean this sincerely—had the inspiration and courage to deliver it to Adelaide, we have run an outstanding event. I would like to think that, as well as John and the Liberal government did with that, this government has taken it to another level, as you would hope with these things, and we got out of it awfully cheaply.

I know the leader is a lover and a supporter of this event. It has probably cost us a couple of million dollars a year. We know for a fact—we do not know the exact numbers publicly at least—that the Grand Prix in Victoria must cost Victorian taxpayers \$35 to \$40 million plus, and we get not dissimilar crowds. For a city such as Adelaide, given that we are a third of the size of Melbourne, the impact is three times greater, but we get out of this pretty well. Corporates are doing it tough and when corporates are hit by downturns the first thing they pull in is sponsorship and advertising. I am suggesting, and we will have these numbers in the near future, but I think it would be fair to acknowledge that we are going to have to put a bit more money in over the next few years, but just how much I do not know yet.

Departmental Adviser:

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

Mr GRIFFITHS: My questions relate predominantly to superannuation issues and the management of Funds SA. I refer to Budget Paper 3, page B.8. It is interesting to note the unfunded liability issue here. Even in good years of financial return and sharemarket and investment returns, the liability has still increased. If I can quote some examples: in 2003-04, the All Ordinaries index increased by 18 per cent over that year, but the unfunded liability went up by \$1.2 billion; in 2004-05, the All Ordinaries increased by some 20 per cent, but the unfunded liability, again, went up by \$1.6 billion. Can you explain the reasons?

The Hon. K.O. FOLEY: I think I can. I guess it was 2004-05 when we shifted—in terms of funding our unfunded liability—to the risk-free discount rate. We did it in one of those years. When we went to the risk-free discount rate, our long-term earnings rate, I think, we used to calculate at 7.5 per cent, and I assume our actuaries accepted that as the long-term earning rate.

In June 2003, on advice, ahead of—I think I am right in saying—the international accounting standards being adopted in Australia (IFRS)—the early adoption—we then went to the risk-free discount rate. It was probably 6 per cent, so therefore the discount rate that we applied was 1.5 percentage points below what we already had in it, so that automatically bumped it up. We

did not have to do it then but we knew that it was coming and we took the view that the sooner we did it the better. Everyone has now had to apply that.

I have never sat back and worked out why we have done it—not we, but why the international accounting standard goes for the risk-free discount rate, but I guess what it says is that if you are going to evaluate your long-term unfunded liability you will take the most conservative earnings discount rate appropriate. It is all just guesswork at the end of the day.

Andrew Blaskett makes a good point that every three years we have a full scale actuarial review of our outstanding liabilities. People living longer, people retiring later, fewer people commuting their pension—those things have increased that unfunded liability. There is no magic to that unfunded liability, it is a factor of earnings on the spread of assets that you have in that portfolio, it is a factor of the discount rate, it is a factor of the triennial review of your actuarial assessment, which is based on all those other things, life expectancy, etc.

Mr GRIFFITHS: The implications have had an effect on the budget also, have they not, from the additional provisions that you have had to make?

The Hon. K.O. FOLEY: I guess that happened under the eight years of your government. Those sorts of factors were no different then. People are living longer today than they might have seven years ago, and that will be a problem for a future treasurer, but these are the signs. I do not know of a better system, but it is a bit like what we always say about WorkCover, not everyone is going to claim on the scheme on any given day—70,000 members of the public sector are not going to walk out wanting their pension.

It is all a bit sort of esoteric, but in the accounting world it is a liability that you have to account for in some manner. I might add that the commonwealth never accounted for its unfunded liability until the Future Fund. It never funded it; it accounted for the gap. It had the unfunded liability but it never moved to repay it. It just said, 'We are a national government, we don't have to pump that money into it,' but it was always there as a liability.

Mr GRIFFITHS: I appreciate that, Treasurer. Budget Paper 3, page 5.8, table 5.6, the line, 'Independent review of economic assumptions'. Against this line we see that \$500 million to \$600 million has been subtracted from the superannuation liability across the forward estimates. What were the findings of this review that led to the reduction?

The Hon. K.O. FOLEY: I have been advised that our actuary factored in our last review a future CPI rate of 3 per cent—which we felt was on the high side—for the long run, not the short run. We took independent advice which said that a proper appropriate rate would be 2.5 per cent, which clearly has been borne out by evidence and which is the middle of the Reserve Bank 2 per cent to 3 per cent ratio. We are entitled to question the assumptions used by the actuary, and our independent advice was that a 2.5 per cent figure for inflation would be appropriate.

It was something I thought of one morning at a meeting. I have these initiatives that occasionally come to mind, and I said, 'Why don't we challenge this inflation rate that they have put in?' I didn't actually: it was not my idea but, rather, Andrew Blaskett's idea.

Mr GRIFFITHS: You nearly had me convinced.

The Hon. K.O. FOLEY: Please don't get me wrong—it was not my idea, it was Andrew's. With all these things in relation to actuarial assessments, they are just judgments. What I find extraordinary is the difference a very small assumption can make. It goes out 50 years into the never, never. A figure of 3 per cent did sound awfully high, and 2.5 per cent is the mid point of the Reserve Bank band and it would seem a far more appropriate rate.

Mr GRIFFITHS: I refer to Budget Paper 4, Volume 1, page 3.13. There seems to be a bit of volatility in the cost of the superannuation services program. Can you explain that?

The Hon. K.O. FOLEY: It may be an accounting treatment issue, but we will come back with a considered answer on it.

Mr GRIFFITHS: I refer to Budget Paper 4, Volume 1, page 3.28. In the table under 'Expenses', why is the superannuation line so volatile? It is \$3.2 billion in 2008-09 down to \$4.7 billion in 2009-10.

The Hon. K.O. FOLEY: I congratulate the shadow minister. He has just clean bowled the Treasury department. We will come back with an answer. There is no explanation for why there is a differential of about \$4 billion.

Mr GRIFFITHS: And there are also differences in previous years, from what the actual was in 2007-08 to what the budget was for 2008-09.

The Hon. K.O. FOLEY: I think it is a factor of the government financial accounting methodology versus the commonwealth government's fiscal framework for combining consolidation accounts with profit and loss statements set against balance sheets. You then throw in the international accounting standard and get confusion.

Mr GRIFFITHS: I look forward to reading your answer.

The Hon. K.O. FOLEY: We are getting close to an answer. I am across this; you would be surprised how quickly I pick up this stuff. Due to accounting standard AAS29, we actually have to account for the revaluation in the unfunded liability as a result of the drop in the discount rate as an expense. The effect in 2008-09 is that the unfunded liability has jumped by \$3.18 billion as a result of the discount rate collapsing, and we have to account for that as a cost. In the government accounts it is treated entirely differently. It is the same thing for 2007-08. The \$1.03 billion represents the increase in the unfunded liability as a result of the discount rate collapse. We have to account for this somewhere.

Mr GRIFFITHS: I refer to Budget Paper 3, page 7.9. Can you advise what the net changes to the Funds SA Investment Fund are, in both percentage and dollar terms, for the 2008-09 year?

The Hon. K.O. FOLEY: I will come back to that answer. The financial year has not ended. In terms of benchmark, Funds SA has been a little bit behind benchmark this year, and I will hazard a guess why. Funds SA has performed exceptionally well above benchmark for a long time, and that is a result of a reasonably aggressive asset allocation in growth assets, which best serves a long-term superannuant in that we have international equity exposure.

I think I would be right in saying that Australian super funds, on average, have a heavier weighting towards equities than American super funds. It is 60 to 70 per cent in Australia and an American super fund or a pension fund could be as low as 25 or 30 per cent in some cases. They just have a more conservative approach. Australians by nature have preferred to have their assets in more growth orientated assets and, in the main, that has been an exceptionally good asset allocation. However, clearly, in a down period like this you cop it a bit. I am not uncomfortable with our asset allocation at all.

Mr GRIFFITHS: I think, to be fair, most Australians do not make a conscious decision. The default option is normally the growth option.

The Hon. K.O. FOLEY: No, our default is balanced. Our balanced scheme was 70:30 and it is now 62:38. However, in any American comparison I reckon I could be comfortable in saying that that would be considered a growth spread. That is by US standards, but that is because it is a much more conservative community. So, our balanced funds are a little more growth orientated than the US schemes would be. As we have seen with respect to our performance, anyone who has been a member of the Triple S scheme for more than the last seven or eight or 10 years has done exceptionally well. The last three or four years before this year were sensational.

The CHAIR: We will now move to the Motor Accident Commission.

Departmental Adviser:

Mr A. Daniels, Chief Executive Officer, Motor Accident Commission.

Mr HAMILTON-SMITH: I refer to Budget Paper 3, page 7.9. What were the estimated losses incurred in 2008-09 by the commission's investment fund, in percentage and dollar terms?

The Hon. K.O. FOLEY: We do not have an end of year result, but I can probably give you a year to date number: 30 April, minus 0.2 per cent, in dollar terms. The Motor Accident Commission in the last year has had a largely defensive position. Its allocation has been towards defensive assets, such as fixed interest and cash, as opposed to equities. That is the point I made to the shadow finance minister a couple of weeks ago in parliament; that it is not an aggressive fund, given that it is an insurance company as such. It has outperformed the benchmark; it is down 0.2 per cent. I can get back to you with respect to a dollar figure. We do not have that with us.

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

The Hon. K.O. FOLEY: It is 92½ per cent. I am not uncomfortable with that. I am not in the business of giving the government a pat on the back, but we took a decision when we came to

office (I think Rob Schwarz was one who convinced me) and we have legislated about what would be the appropriate buffer; the sufficient solvency. I will not go into how you build up sufficient solvency, but it is not just 100 per cent; it is a factor of a whole lot of other things.

We got that up through accepting some significant recommendations on premium increases. In fact, for two years we dropped the premiums. We got solvency up to 160 per cent before the crash. The crash has brought us back to 92.3 per cent. If we had just bounced along at 100 per cent, we would be a pretty sick entity. So, we still have positive net assets. That is a very good position, and I give credit to the former chairs and boards of the Motor Accident Commission as well as the present board and the management of the team—Geoff Vogt, Andrew's predecessor. They have done a very good job.

Mr HAMILTON-SMITH: Has the MAC's investment fund structure changed since it was incorporated by Funds SA, and how are MAC's investment assets distinguished from Funds SA assets?

The Hon. K.O. FOLEY: What we have done with the Funds SA bill (and it is something I have been on about since way back when I was in opposition; it has been a hobby horse of mine) is that I felt that, instead of having a number of satellite funds managing their own portfolios—and particularly now, given the case of fees and scale, and so on—we should have one central pool funds management. The asset allocation can be up to the management of the board of the individual agency. They simply purchase units from Funds SA, and that is what we do—although the MAC has kept the fixed property element of its portfolio, because Funds SA does not manage fixed or real property, that I am aware of. So there is a residual skills set within the Motor Accident Commission to manage a few of the properties that they have.

Helen Nugent and her board, and Richard Smith and his administrative team, purchase the assets, the equities, the funds, etc. Andrew's board determines an asset allocation that suits that business—and, as we have said, it is a largely defensive asset allocation—and they simply purchase the units accordingly from Funds SA.

Mr HAMILTON-SMITH: Is there any plan for WorkCover investment funds to go down the same road?

The Hon. K.O. FOLEY: To be honest, I would like WorkCover to go into it. I think it makes very good sense. The reason I have not mandated WorkCover is I do not think I can mandate it—I suppose I could, legislatively. Motor Accident Commission is actually an employer-contributed scheme, so employers make the contribution. It is set up under statute. I probably have some residual powers if I wanted to exercise them, but I have chosen not to, because it is a different entity. It is employer levies.

The CHAIR: Treasurer, can I interrupt? I think we may need to correct your words. You just referred to the Motor Accident Commission as being an employer contribution scheme. I suspect you meant WorkCover.

The Hon. K.O. FOLEY: Yes, I meant WorkCover. I apologise. What the member was asking was whether I was going to bring WorkCover into it. WorkCover is an employer-contributed scheme. It has a large employer representative base on its board and, at present, they have a strong view that they want to be independent. Motor Accident Commission reports to me, and I can direct the board. I have not had to do that; they have volunteered. The Public Trustee has volunteered. I think the ambulance and fire and some of those smaller funds have all gone in. It makes a lot of sense. I think WorkCover over time will see the value in it. I think they just want to be convinced it is the right thing for them to do. I do not think there is any screaming hurry. The problem we have is that, as superannuation schemes get larger and larger in Australia, fees are an issue.

I guess the products that are available probably come with some pretty big limits. To get access to some of the products that are out there now, I guess you have to purchase a fairly sizeable chunk. We get good scale but I guess some of the products that are on the market now have limits or minimums as to how much you can purchase. Our scheme now is \$12.5 billion, but that is still a small scheme in the world of funds under management. It is not big. So, WorkCover is at \$1 billion, or whatever it might be, and I think it will become a reality. Super schemes are only going to get larger and larger. Some of the schemes are \$30 billion schemes, so their purchasing power and ability to negotiate fees and products is different, so scale is an obvious thing that we have to address.

I apologise—I just misled the parliament. Public Trustee is not yet with Funds SA. We are negotiating.

Mr HAMILTON-SMITH: What percentage of claims and claim costs are caused by rear end collisions, presently managed?

The Hon. K.O. FOLEY: It is 40 per cent of claims and 25 per cent of costs. It is a big number. It is \$100 million a year.

Mr HAMILTON-SMITH: Who is the Motor Accident Commission's debt collection provider at present? Has the service been successful, and what savings in extra collections have been achieved to date?

The Hon. K.O. FOLEY: Our credit provider is Australian Credit Management (ACM), since 2006, and they manage our debt collection.

Mr HAMILTON-SMITH: Which former SGIC operations are still managed by MAC, and what provisions remain in place for these activities? Also, when will they be finalised?

The Hon. K.O. FOLEY: I am advised that there is only one remaining matter. It is an inwards overseas reinsurance undertaking from the former SGIC that apparently gives us the grand income of \$400 a year.

Mr HAMILTON-SMITH: What properties are held by the CTP fund, and have there been any acquisitions or disposals since 1 July 2008, or any planned acquisitions or disposals?

The Hon. K.O. FOLEY: We have 11 properties in-house. There are four commercial properties and seven industrial properties. There have been no acquisitions or disposals this financial year. The total value of the portfolio is \$193 million, approximately. This is a reduction of \$13.965 million as a result of valuations in investment markets.

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

The Hon. K.O. FOLEY: Yes, I think so. We can get a list of the buildings if you like and put them on the record for the member. I will get that put in the answer.

Mr HAMILTON-SMITH: What is the estimated figure in 2008-09 in regard to savings from prevention of fraudulent and exaggerated claims?

The Hon. K.O. FOLEY: Fraud savings of \$3.6 million were realised from 57 cases in the 11 months from 1 July 2008 to 31 May 2009. This compares with a saving of approximately \$4.2 million on average annually, so we are a little bit down. We put out an advertising campaign again this year to determine motor injury fraud, but we are getting about \$4 million a year.

Mr HAMILTON-SMITH: How much is estimated to be paid out in sponsorship by MAC in 2008-09 and 2009-10?

The Hon. K.O. FOLEY: The Motor Accident Commission, under the direction of the Treasurer, will be putting all its \$2 million a year into the Port Power football club, as the club's major sponsor. Don't get excited, I am only joking.

There are 20 community road safety project grants across the state supporting local communities: the Schoolies Festival and the Barossa Schoolies bus services, catering for more than 20,000 school leavers; the SA Police Road Safety Education Program in more than 700 schools; support for the traffic training promotions unit; the Good Sports program in regional South Australia that operates in 140 country sports clubs; free public transport for Clipsal 500 ticket holders; free New Year's Eve transport for South Australians in Adelaide; Adelaide's Midnight Saturday bus service; an interactive road safety display at the National Motor Museum; the Australian College of Road Safety lunchtime seminars; and the Centre for Automotive Safety Research into the Causes of Road Crashes.

At this point I should also put on the public record the fact that Roger Cook is the new chair of the Motor Accident Commission. Roger not only has a very good record in managing businesses and boards with commercial acumen, but one of the reasons he has taken up this particular appointment is because he is someone who is very committed to road safety and to the need to bring down the horrific road toll and injury rate. Since Roger's appointment he has brought together police, the road safety minister and his portfolio, the transport department, and the Motor Accident Commission to get a more whole-of-government approach to how we advertise, how we send the message.

I do not think it is any coincidence that we now have some pretty brutal advertising on television. However, it is more than just television; it has to be education, and it has to be a whole community effort. This is really as much about community service as anything, with what Roger is putting into this project and, from the government's point of view, we are very grateful for his personal commitment.

Over the next few months we will see a refocusing and repositioning of the brand of the Motor Accident Commission, to raise its profile and to ensure that people appreciate exactly what it does, that it is not just an insurance company but is one that sends a strong road safety message. Of course, Andrew has joined us in recent times and is doing an excellent job as the new CEO.

Mr HAMILTON-SMITH: What is the estimate of CTP claims from crashes in 2008-09?

The Hon. K.O. FOLEY: As at 31 May, it is estimated at \$447 million for the year, compared to \$425 million. So we are up; it is about CPI, so it is not a real growth.

Mr HAMILTON-SMITH: That is it from us, thank you, Treasurer, and thanks to your staff.

The Hon. K.O. FOLEY: Thank you, leader, and thank you, shadow finance minister. Thank you my members, and thank you public servants.

The CHAIR: There being no further questions I declare the examination of the proposed payments to the Department of Treasury and Finance completed, and the proposed payments for the administered items for the Department of Treasury and Finance adjourned and transferred to Estimates Committee B.

At 20:41 the committee adjourned until Friday 26 June 2009 at 09:00.